

Chatham House Report

Edited by Xenia Wickett

America's International Role Under Donald Trump



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The Royal Institute of
International Affairs

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US and the Americas Programme | January 2017

America's International Role Under Donald Trump

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Charity Registration No. 208223

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ISBN 978 1 78413 191 3

A catalogue record for this title is available from the British Library.

Cover image copyright © DON EMMERT/AFP/Getty Images

Typeset by Soapbox, www.soapbox.co.uk

Printed and bound in Great Britain by Latimer Trend

The material selected for the printing of this report is manufactured from 100% genuine de-inked post-consumer waste by an ISO 14001 certified mill and is Process Chlorine Free.



Cover image: Donald Trump arrives to speak at a USA Thank You Tour 2016 event at the Giant Center on 15 December 2016 in Hershey, Pennsylvania.

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Acknowledgments

We would like to express our immense gratitude to the numerous contributors to this report and to earlier publications in the series. In particular, we would like to thank the authors themselves: Julie Smith, Rachel Rizzo, Adam Twardowski, Christopher Smart, Miriam Sapiro, Sarah O. Ladislaw, Jacob Parakilas, Flynt Leverett, Hans Kundnani and Seth G. Jones. We would also like to acknowledge the great assistance that was provided by numerous peer reviewers (including those who assisted anonymously), friends and colleagues for their invaluable feedback and contributions to the report, including, in particular: Robin Niblett, Rory Kinane, Alex Lennon and Courtney Rice. This report also benefited greatly from the copy-editing of Jake Statham and Nicolas Bouchet, and from the assistance of the Chatham House editorial team as a whole.

A number of the individual authors also wanted to thank some of the people who supported and assisted them during this process, including: Hillary Mann Leverett, Bates Gill, John Nilsson-Wright, Rod Wye, Andrew Carter and Sungjoo Ahn.

The views expressed in this report represent the opinions of individual authors, and not necessarily those of their respective institutions.

This report and the preceding Election Note Series were generously supported by the Stavros Niarchos Foundation, whose funding is gratefully acknowledged.

About the Stavros Niarchos Foundation

The Stavros Niarchos Foundation (www.snf.org) is one of the world's leading private international philanthropic organizations, making grants in the areas of arts and culture, education, health and sports, and social welfare. The Foundation funds organizations and projects that are expected to achieve a broad, lasting and positive impact for society at large, focusing on vulnerable groups such as children and the elderly, and that also exhibit strong leadership and sound management. The Foundation also seeks actively to support projects that facilitate the formation of public-private partnerships as an effective means for serving public welfare.

2016 marks the 20th year of the Foundation's global philanthropic activity. Since 1996, the Foundation has made grant commitments of \$1.9 billion^a/€1.6 billion through 3,646 grants to nonprofit organizations in 111 nations around the world.^b

Beginning in 2012, in addition to its standard grant-making activities, the Foundation embarked on a \$378 million (€300 million) grant initiative in an effort to help address the severe effects of the deepening crisis in Greece. The initiative aims to provide immediate relief support to the most vulnerable members of Greek society. In addition, as part of the initiative, grants will be provided towards addressing the high percentage of youth unemployment, seeking to create better employment prospects and new opportunities for the young.

The Foundation's largest single gift is the Stavros Niarchos Foundation Cultural Center (SNFCC) in Athens.^c The project's total budget of \$854 million (€617 million) includes two grants of \$6 million (€5 million) each to the National Library of Greece and the Greek National Opera respectively, aiming to support these organizations' transition to their new facilities. The project, designed by the architectural firm Renzo Piano Building Workshop (RPBW), includes the new facilities of the National Library of Greece and the Greek National Opera, as well as the Stavros Niarchos Park. The SNFCC is a testament and a commitment to the country's future. It is also an engine of short- to mid-term economic stimulus.

The Foundation will hand over the SNFCC to the Greek state in early 2017. During the transition phase, the Foundation continues its mission to introduce the project to the public through a daily and dynamic programme of free public events, which offer visitors an opportunity to experience the SNFCC's programmatic potential and its place as an urban destination for everyone. All the events are made possible through the exclusive support of the Stavros Niarchos Foundation, which is presently in charge of the project, until the completion of the delivery process to the Greek state. Through these programmes that combine athletic, educational and artistic activities, the Foundation seeks to engage the public in an open dialogue about the SNFCC and to build substantive relationships that will continue during its official operation by the Greek state, the rightful owner of the project.

^a <http://www.snf.org/en/grants/grant-allocation/>.

^b <http://www.snf.org/en/grants/world-map-of-grants/>.

^c <http://www.snfcc.org/default.aspx>.



Preface

In January 2013, the US and the Americas Programme at Chatham House published a report, entitled *The Next Chapter: President Obama's Second-Term Foreign Policy*, that laid out for an international audience the likely direction that Obama would take in his second term, taking into consideration constraints ranging from the make-up of Congress to the actions and intentions of foreign leaders and governments. This report intends to fulfil a similar objective for the first term of Donald Trump's presidency.

The report is the culmination of over 11 months of work. Between April and October 2016, the US and the Americas Programme published a series of seven research papers, commissioned from authors both within and outside Chatham House, on foreign policy topics of importance for the next administration. The topics ranged from US relations with Russia and China to Middle East policy, defence and trade. Each author laid out, briefly, the context and current situation regarding the challenge at hand, and the relevant likely policies of the main candidates for the presidency (Hillary Clinton and Donald Trump, as well as some of the early Republican and Democratic competitors in the initial months). Each author also outlined the respective implications, in the context of that specific issue, of a particular candidate being elected. What would US defence policy, for example, look like under a Trump presidency or a Clinton one? The seven short (approximately 10-page) research papers were published at intervals of roughly one a month.

Following the 8 November election, these papers were reviewed by their authors, the sections referring to Clinton's policies were removed, and those laying out

Trump's were updated to take into consideration his more recent comments, his cabinet choices, an understanding of the make-up of the next Congress and other relevant contextual factors. The resulting documents form seven chapters in this report, to which we have added three new chapters (on Europe, Afghanistan and Latin America), an executive summary, an introductory essay and a conclusion. Our intention is both to outline the likely implications of a Trump presidency in individual policy areas and also to set the whole in context, providing an overarching perspective on the upcoming Trump administration.

The analysis in each chapter is that of its author or authors alone. However, as we have reviewed the manuscript in the whole in preparation for publication, certain unifying threads have been apparent. Thus, while the common belief is that much about the upcoming administration is unknown, there is some broad consensus about how it is going to move forward. For example, Trump's willingness to question long-standing American security alliances and partnerships is something that carries across all regions.

It is worth noting that given the atypical nature of Donald Trump and his path to the presidency, the probability of unpredictable events is greater than perhaps for any president of recent memory. These could be internal (such as impeachment or constitutional crises) or external (of the nature of the events of 11 September 2001). Thus, while the authors believe the paths described in this report are the most likely, there is significant space for diversion from them.

We hope you find each chapter and the complete report itself of interest.

Executive Summary

Xenia Wickett

The outcome of the 2016 presidential and congressional elections marks a turning point for the United States and its international role – and not just because, from January 2017, the White House will transfer from Democratic to Republican Party control. It is also because the man elected to the presidency, Donald J. Trump, takes office with no prior experience in government and, in many respects, an apparently flexible outlook on domestic politics and foreign policy. Trump's campaign was marked by his frequent explicit rejections of his own party's positions and leaders; in fact, he was elevated to the presidency precisely by his outsider status.

While there is great uncertainty about America's foreign policy after 20 January 2017, the environment in which Trump takes office is more concrete. This provides some boundaries to his policy options. As was the case for his predecessors, Trump will face domestic as well as international constraints, from the role of Congress to the actions of other states. He will face the additional challenge that his character and operating style might not easily translate from the private sector into government.

This report consists principally of 10 chapters that address the most significant axes of foreign policy for the new administration: defence, economic policy, trade, energy and climate change, China, Russia, the Middle East and North Africa, Europe, Afghanistan and Latin America. It considers the international context for each of these policy areas, outlines the specific constraints under which Trump's administration will operate, and hypothesizes the likely paths that the administration will take. While the report deliberately reflects a diversity of perspectives – it is the work of 11 authors, with each chapter representing the views of its individual author(s) alone – some common themes stand out:

- Trump has long shown a lack of interest in supporting the liberal international order, a position reinforced by his campaign rhetoric. While he may not reject America's long-standing alliances and associated organizations, such as the US–Japan relationship and NATO, he is likely to offer them significantly less support than did previous presidents. At a minimum, he will leave their members, and America's partners, uncertain about US reliability.
- Trump's outlook is more nationalist than isolationist. He is not proposing US withdrawal from the world *per se*, but he has a narrower interpretation of vital American interests than his predecessors did and will likely assess international engagements in more transactional terms. His 'America first' campaign posture implies limited recognition of the global common good, or appetite for intervention to uphold it. The US will continue to participate in

the international system, but only to achieve direct, vital national interests rather than to support allies. Thus, while Trump has suggested withdrawing the remaining US troops from Europe, he also promotes a stronger military and, if the US were directly threatened, would use it.

- Trump's foreign policy will be driven principally by the pursuit of American economic advantage, for which he will likely sacrifice some of the security concerns of his allies. He may be more willing to overlook Chinese or Russian transgression of international norms, or challenges to the sovereign independence and stability of other states, for example, if he feels he can trade it for direct gains on the economy. This subordination of a traditional US foreign policy priority – security – to a mercantilist agenda with little appreciation for longer-term geopolitical dynamics or the continuity of the US's relationships with key partners would mark a pivotal change, with potentially profound negative implications for international stability.
- Trump's personality and style – brash, unpredictable, contradictory and thin-skinned – promises to have a meaningful impact on his engagement in foreign affairs. In addition to leaving foreign leaders uncertain about US policy, this could impair cooperation in international organizations such as the G7 and APEC, where the US president plays an important personal role. As a result, these institutions would be less effective.

Beyond the general characteristics of US foreign policy under Trump, his likely intentions and options for action with respect to a number of specific issues and regions merit particular attention. This reflects the international importance of the challenges and geographies in question, and the likelihood and potential impact of a departure from recent US policy towards them.

- Trump's willingness to support a closer relationship with Russia (and potentially pursue a 'deal') is likely to cause the greatest upheavals in the geopolitical balance in the short term. This has particular implications for the Middle East and Europe, where his less engaged approach could allow President Vladimir Putin to continue his more assertive policy and will cause friction with many European allies.
- Getting the bilateral US–China relationship right will continue to be one of the most important challenges for Trump, as it has been for his recent predecessors. During the campaign, he took a strong position against Chinese trade. Since the election, he has appeared to reverse some long-standing US policies (such as the 'One China' policy, implicitly

challenged by his telephone call with Taiwanese President Tsai Ing-wen). In office, it is likely that he will take a more flexible position on territorial or security issues with China than his predecessors did, especially if doing so allows him to prioritize America's economic interests.

- Trump questions whether retaining US primacy in the Middle East is in America's interests, and rejects the need to pursue regime change. Instead, his instincts are to focus on the fight against terrorism. But it is unclear whether his instincts will translate into policy, given the number of hawks among the Middle East advisers in his incoming administration.
- Under President Trump, America will no longer drive forward the free-trade agenda that the US has led up until now. His more protectionist approach could also cause others to back away from the liberal trading agenda. Regional trade agreements under negotiation, such as the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP), will be put on hold. While Trump is open to bilateral deals, his aggressive negotiating stance makes it unlikely that other parties will be so willing to participate. In addition, Trump's opposition to deeper US engagement in the multilateral trading system could create room for rival projects that exclude the US to gain traction.
- Trump campaigned on an 'America First Energy Plan' that dismisses the significance of climate change and embraces the exploitation of more domestic energy resources (emphasizing coal, oil and natural gas). The environmental agenda will thus be marginalized for at least the coming four years. The administration will likely seek to reverse President Obama's initiatives, through executive order where necessary.

Outlook

Trump's election creates much uncertainty, not just over America's policies and place in the world, but also over the responses of its allies and adversaries to important changes in the style and substance of US engagement internationally.

Perhaps the most profound impact of Trump becoming president is on the West's status as a world leader. The tenor of the election campaign, which was dominated by Trump's extreme rhetoric, as well as his eventual victory, has changed how the rest of the world sees the US. The image of America as an open and tolerant society to be imitated, and as an example of values and characteristics to which other states might aspire, has been weakened.

This is compounded by Trump's resistance to the US bearing the burdens of the international common interest, unless other states take on a greater share of the responsibility to do likewise. (Incidentally, Obama took a similar road, but did so more tentatively.)

Together, these two factors – the diminishment in both America's capability and its will to lead – mean that the US will play a less active role in the world in the coming four years.

As noted above, specific changes can be expected in particular areas of US foreign policy. But, despite Trump's apparent intent, these will be effected under domestic and international constraints that in many cases will inhibit their impact. Rather, the greatest uncertainty is how President Trump will respond to an unforeseen 'black swan' event or emergency. Under crisis circumstances, America's institutional constraints tend to become briefly more malleable, and extreme action thus becomes more likely. Where such action might take the nation and the world is, today, undefinable.

About the US and the Americas Programme

The US and the Americas Programme at Chatham House (London, UK) principally focuses on providing analysis on the changing role of the United States in the world. Building on the independent, international reputation of Chatham House, the programme provides a unique external perspective on US affairs.

The programme aims to:

- develop a contextual understanding of the transformations taking place within the US and internationally, to analyse how they affect US foreign policy;
- offer predictions on America's likely future international direction;
- influence responses from allies and others towards the US; and
- highlight to American policymakers the intended, and unintended, impact of their policies overseas.

The programme comprises both in-house staff and an international network of associate fellows who together provide in-depth expertise in both geographical and thematic areas.

1. Introduction

Xenia Wickett

Donald Trump takes office at a time of significant change in the West and, more broadly, in the world. For those seeking to anticipate the new administration's policies and positions in the context of such change, and the implications for US foreign relations, the stakes are unusually high. The need for a responsible and engaged America on the world stage is as great as ever. Yet Trump's populism, his avowed rejection of foreign policy orthodoxy, and his well-documented unpredictability as a candidate make the outlook on any number of critical international issues – from nuclear deterrence to the future of NATO – highly uncertain. Since 8 November, the question on all lips has essentially been, 'What will Trump actually do once he's in the White House?' This report sets out to provide a partial answer to that question, and to explore the factors likely to determine the administration's direction in the many areas where Trump's intentions are unclear.

Our starting point, in trying to look ahead to the next four years of US foreign policy, is that there is much that remains unknown. Trump, more than most presidential candidates in the recent past, takes office with ill-defined positions and, up to a point, an apparently flexible outlook on domestic and foreign policy. His politics and values, to the extent that they are articulated, would appear to be those of expediency and short-term interest.

However, there are some pointers we can draw on for a sense of his policies, as he has lived his life largely in the public eye, has a long history in the private sector that can be examined, and has not been afraid to talk to the media over the years. He appears to hold some long-standing positions, which we can expect him to maintain as president: scepticism about free trade, a transactional approach to dealing with other parties, and – perhaps most notably and profoundly – a lack of commitment to global liberal ideals.

The composition of Trump's cabinet – the formation of which was ongoing at the time this report was being prepared – also offers clues to the administration's likely foreign and domestic priorities. His emphasis has been to recruit members of elites from the business sector (indicative of his emphasis towards achieving US economic benefit) and the military (a sign of his focus on nationalism rather than isolationism *per se*).

Beyond what Trump may seek to achieve, there is also the issue of what is politically, diplomatically, militarily and fiscally practical. During the campaign, Trump achieved notoriety by making a plethora of provocative – in some cases outlandish – statements and promises.

These included getting Mexico to pay for construction of a wall along the US–Mexican border, 'tearing up' the Iran nuclear deal, and restricting visas for foreign Muslims.¹ All candidates make implausible campaign pledges to some degree, but there is a sense that Trump has taken the practice to uncommon extremes. Yet the realities of office and the shift from campaigning to governing will have a significant impact: unavoidably shaping strategy, tactics and policy detail, and likely tempering the administration's ambitions. As those before Trump have found, circumstances often dictate both what is possible and where the president's attention must focus.

This report lays out an initial assessment of Trump's likely foreign policy and its consequences in the coming years – based on his rhetoric and the constraints under which he will be governing. Each of its 10 principal chapters focuses on a specific thematic issue (such as defence, trade, etc.) or geographic theatre (e.g. the Middle East, Russia etc.) of concern or importance to the US, and outlines the major challenges and opportunities the administration will face as Trump takes office. In this introduction, we provide some broader context on the conditions and constraints under which Trump's policies are to be implemented.

Domestic constraints

Several important domestic factors will influence Trump's foreign policy and affect his ability to achieve his goals along his preferred timeline.² These factors may change in the coming four years (for example, the 2018 midterm elections could alter the make-up of Congress), and in many cases will likely become more constricting over time for the administration rather than less.

Voter priorities

A meaningful proportion of Trump voters feel themselves to have been excluded from the system and left behind by the economy's recovery from the 2008–09 financial crisis and recession. These disenfranchised citizens are not necessarily motivated by ideology (on the Democratic side, Senator Bernie Sanders garnered much support from this group during his presidential run). However, Trump has raised expectations that he will focus on meeting their needs. Many will be watching to ensure that he does so.

The priorities of these voters are broadly to ensure economic opportunity for themselves, their families and their

¹ While Trump said much during the campaign, he provided little in the way of concrete policy proposals and had little planned with regard to his transition prior to winning the election.

² The factors identified in no way encompass the full range of contextual domestic factors affecting Trump's foreign policy, merely those likely to have the greatest impact. Thus, for example, this report does not explore the significant racial divisions that have been heightened by Trump's political success. President Trump will have to manage these divisions domestically, but they are less likely, relatively speaking, to affect his foreign policy objectives or their success.

communities. Accommodating this constituency will require the administration to expend significant resources on domestic policies, including on healthcare, education, job creation and infrastructure. Much of this Trump promised during the campaign, and he will be judged on his ability to deliver. However, bringing the most disadvantaged members of society back into the system will be a slow process at best, and will be enormously expensive economically and politically. It is unlikely that Trump will be able to effect change fast enough to satisfy these voters. His attention will have to stay focused heavily on addressing their needs and concerns in the next four years.

Beyond those who voted based on a sense of economic exclusion, many more mainstream Republicans chose Trump for more traditional reasons – such as from a desire for smaller government or based on his relative social and fiscal conservatism. However, many of the policy preferences of these voters run counter to those of the economically disenfranchised Trump supporters. The president will have to carefully balance the demands of all sides.

Political divisions

In his victory speech on election night, Trump made significant efforts to reach across the aisle and to all voters:

Now it's time for America to bind the wounds of division; have to get together. To all Republicans and Democrats and independents across this nation, I say it is time for us to come together as one united people ... I pledge to every citizen of our land that I will be president for all Americans.³

However, America's current hyper-partisan political environment makes it extremely unlikely that the Democratic Party will respond positively to Trump's outreach.⁴ Given the harsh treatment meted out by many Republicans to Barack Obama during his time in office, Trump's inflammatory campaign rhetoric, fundamental policy differences between the two parties, and the fact that from a Democratic Party perspective he has a limited mandate (having lost the popular vote to Hillary Clinton by nearly 3 million votes), bipartisan consensus looks unlikely.

The political divisions go beyond the Democrat/Republican split; in fact major fault lines exist within each party. On the Republican side, there are two principal factions in Congress: the Freedom Caucus (i.e. Tea Partiers), who

emphasize extreme fiscal conservatism; and a disparate group of more mainstream Republicans (such as Paul Ryan, speaker of the House of Representatives, and Senator John McCain). A third faction (the disenfranchised voters noted above) has little representation in Washington but played an important part in electing Trump.

As Trump will need broad Republican support in Congress to enact many of his policies, he will have to court these competing constituencies. Some Republicans who repudiated his candidacy have lined up behind him. However, their policy differences make it extremely unlikely that this support will last. Particularly in light of a Democrat having been in the White House for the past eight years, many congressional Republicans now see an opportunity to move their own legislative agendas forward quickly. This could bring them into conflict with the president (particularly given that some of Trump's likely policies are atypical for the Republican Party).⁵ Conversely, the need for Trump to keep his voter base happy will mean developing policies that are often at odds with the agendas of the Republican establishment in Washington.

Given the harsh treatment meted out by many Republicans to Barack Obama during his time in office, Trump's inflammatory campaign rhetoric, fundamental policy differences between the two parties, and the fact that from a Democratic Party perspective he has a limited mandate, bipartisan consensus looks unlikely.

For at least the next two years, Trump's ability to manage his support in Congress will be helped by the Republican Party's control of both the House and Senate. This will give him more flexibility than his predecessor, President Obama, has enjoyed for the past six years (since the 2010 midterms). Even so, Trump will not have a free hand. And as he starts to encounter pushback against his policies, he will likely move towards doing more through executive orders rather than through Congress (just as Obama did). However, members of Congress who disagree with his policies will soon find ways to slow him down or restrict him.⁶

³ *New York Times* (2016), 'Transcript: Donald Trump's Victory Speech', 9 November 2016, http://www.nytimes.com/2016/11/10/us/politics/trump-speech-transcript.html?_r=0 (accessed 20 Dec. 2016).

⁴ Measures of congressional voting show that the partisan split between Democratic and Republican members of the House of Representatives, for example, has been widening for many years. See Andris, C., Lee, D., Hamilton, M. J., Martino, M., Gunning, C. E. and Selden, J. A. (2015), 'The Rise of Partisanship and Super-Cooperators in the U.S. House of Representatives', *PLOS ONE*, 21 April 2015, <http://journals.plos.org/plosone/article?id=10.1371/journal.pone.0123507> (accessed 16 Jan. 2017); and Ingraham, C. (2015), 'A stunning visualization of our divided Congress', *Wonkblog, Washington Post*, 23 April 2015, https://www.washingtonpost.com/news/wonk/wp/2015/04/23/a-stunning-visualization-of-our-divided-congress/?utm_term=.9ad3f01f743e (accessed 16 Jan. 2017).

⁵ Trump's opposition to free trade, pro-Russia posture and aversion to international alliances, to name but three examples, go against traditional Republican positions.

⁶ Congress typically has less influence over foreign policy than it does over domestic policy. That said, it certainly has the ability to frustrate or impede many aspects of a president's international agenda, and – as this report explains – presents one of the likely constraints on any excesses in the Trump administration's policies.

Depending on how much Trump achieves in the coming two years, control of one or both houses of Congress could transfer to the Democrats in the 2018 midterm elections. This is more likely in the Senate, which would require a transfer of only two seats from Republicans to Democrats. Even then, of the 33 Senate seats that will be contested in 2018, only eight are held by Republicans – the Democrats' task will remain hard, albeit not impossible. It is also worth remembering that Republican senators up for re-election in 2018 are going to start campaigning in the coming months. They will be thinking carefully about how Trump's policy objectives resonate in their constituencies, and taking positions accordingly. For many, re-election will be a more powerful motivation than loyalty to the president, especially if their agendas conflict with the administration's.

Economics

Unlike his predecessor, Trump is fortunate enough to be taking office at a time when the economy is performing well. GDP grew at an annual rate of 3.5 per cent⁷ in the third quarter of 2016 – the best performance in two years – and the unemployment rate has fallen from a peak of 10 per cent in October 2009 to 4.7 per cent (a rate considered by many to be close to full employment) in December 2016.⁸ This gives the new administration some space to manoeuvre.

Investors also seem to have taken the prospect of a Trump presidency in their stride. There were fears that his election would trigger a financial market downturn. Yet financial markets have responded quite positively to the result. At the time of writing, the S&P 500 was up by nearly 6 per cent since 8 November.⁹ Since the election, Trump has put forward economic policy ideas, such as investment in infrastructure, that have been received well. This has led many economists to identify increased public spending as a potential driver of growth in the next few years.¹⁰

The catch is that many of Trump's economic initiatives have problematic fiscal implications: requiring significant increases in spending (e.g. \$1 trillion for infrastructure) just as government revenue is likely to come under pressure as a result of planned tax cuts (for example, for the corporate sector). Trump will soon find his fiscal resources constrained, particularly in an environment in which many in the

Republican Party will remain loath to increase the budget deficit further.¹¹ This could limit his policy choices as he searches for additional resources for the military, or for funding his administration's international priorities.

The cabinet and the administration

Trump's personnel choices for his cabinet and White House staff will have a significant influence on the direction his policies take, and on his ability to translate intentions into reality. It remains unclear how his appointments will play out – not least given that the policy positions of some of his key nominees are different from his own.¹² On the one hand, his cabinet choices to date include a number of people with meaningful experience in making policy, either in government, the military or Congress (e.g. General James Mattis at Defense and Jeff Sessions at Justice). On the other hand, he has also chosen to fill a number of key positions with people from predominantly private-sector backgrounds (such as Wilbur Ross at Commerce and Steve Mnuchin at Treasury); these new officials are going to find the transition far harder, as they will have to learn how to make the bureaucracy work without recourse to many of the corporate mechanisms with which they are familiar (such as procedures for hiring and firing staff swiftly).

The bureaucracy itself will also have a vital role to play. Ensuring that it implements, in good faith, the policy of the president can be a constant battle for senior administration officials. Cooperation is often particularly elusive when a president's plans go against common and long-standing policies within the bureaucracy. Given the radical tenor of some of Trump's suggestions, the new president and his cabinet could be stymied by this group.

Perhaps the most important factor in the cabinet's effectiveness is whether its members are trusted by Trump himself. Cabinet members will have to work alongside – and potentially in competition with – what is likely to be a close circle of trusted advisers in the White House.¹³ If cabinet members have his ear, they will have a huge ability to affect policy. If they do not, they are unlikely to last, with rapid turnover potentially leaving the government in a state of continuous flux.

⁷ US Department of Commerce, Bureau of Economic Analysis (2016), 'National Income and Product Accounts – Gross Domestic Product: Third Quarter 2016 (Third Estimate)', 22 December 2016, <http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm> (accessed 23 Dec. 2016).

⁸ Bureau of Labor Statistics (2017), 'Employment Situation Summary', 6 January 2017, <https://www.bls.gov/news.release/empsit.nr0.htm> (accessed 12 Jan. 2017); Bureau of Labor Statistics (2012), 'The Recession of 2007–2009', BLS Spotlight on Statistics, February 2012, https://www.bls.gov/spotlight/2012/recession/pdf/recession_bls_spotlight.pdf (accessed 21 Dec. 2016).

⁹ Bloomberg (2017), 'SPX:IND', 12 January 2017, <https://www.bloomberg.com/quote/SPX:IND> (accessed 12 Jan. 2017).

¹⁰ For more on Trump's economic policy, see Chapter 3 of this report.

¹¹ The US's fiscal challenges are likely to become even tougher in the coming decades, when entitlement spending (such as on healthcare, pensions and Social Security) is forecast to rise.

¹² For example, General James Mattis, Trump's choice for secretary of defence, is far more wary of Russia – and of President Vladimir Putin – than Trump purports to be.

¹³ This is not dissimilar from the situation during the Obama presidency. In the first few years, in particular, Obama relied on generating policy in the White House rather than in the departments themselves; this led to some tension between them.

International constraints

The international context shapes the US's foreign policy priorities and defines its scope for action. Much as Trump's campaign rhetoric has emphasized an 'America first' vision that implies a disregard for international norms and engagement, the reality is that US foreign policy does not happen in isolation. Its focus will of necessity be informed by international developments and events, and the US will be subject to number of notable constraints as a result. Whether he likes it or not, these will significantly influence Trump's ability to implement his policies and achieve his objectives. Several key constraints are listed below.

Perceptions of Western decline

The 2008–09 financial crisis and subsequent events strengthened the position of those who have long argued that the West is in decline, at least in the economic sphere. With global growth increasingly driven by dynamic emerging markets – in particular, China and India – some people have questioned the pre-eminence of the US and Europe in the international system. Advocacy of a more representative framework for global economic governance has been a consequence of such arguments, exemplified by the pressure on the IMF to recalculate its voting rights in favour of emerging markets. The challenges for Western leadership (particularly in Europe) have been further highlighted by the economic crisis in the eurozone, and by the trend towards protectionism in both the US and Europe. This trend, if it continues, will only aggravate their economic challenges and could hasten the weakening in international influence that some predict.

Western leadership in the military and diplomatic spheres is also being challenged. The perceived failure of the US to 'win' the wars in Afghanistan and Iraq raised concerns about its military capabilities and whether it, and its partners, had the political will to follow through on missions abroad. The rise of Islamic State of Iraq and Syria (ISIS), a non-state actor, and its ability to keep the US (and Europe) at bay has merely strengthened these views.

The rise of other emerging powers, such as China and India, is also affecting perceptions of the global balance of power. In the coming years this could cause states to reassess their foreign relations in the context of an evolving international order, which would have implications for how they engage with the US (and the kind of hedging they might use in respect of that engagement). The Trump administration

will need to take into account this more fluid geopolitical context, or at least the perception of such, in its approach to both allies and adversaries.

US unreliability

From the perspective of other international actors, Trump's rhetoric has been mostly isolationist – although it could better be described as nationalist.¹⁴ Even though his 'make America great again' catchphrase has been directed at an internal rather than external audience, it has inevitably raised questions about the US's willingness and ability to lead internationally. If these qualities are absent, there will be significant consequences not just for the US itself, but also for Western-led institutions such as NATO, the World Trade Organization and the UN. How the US engages in the UN Security Council, for example, would become contentious.

Concerns about a weakening commitment to internationalism also reflect the legacy of Trump's predecessor. President Obama worked to disengage America from its role as the world's policeman, prompting many countries to start questioning whether the US would remain a reliable partner. Long-standing allies such as Japan and South Korea have taken steps to strengthen their defence capabilities in view of their concerns over the US's future willingness or ability to assist them. To a lesser extent, Europe has begun to ask the same question.

Trump's election rhetoric will reinforce such doubts. His willingness to question long-standing commitments, whether with regard to Article 5 of the North Atlantic Treaty (which defines NATO's obligations in the event of an attack on one of its members) or the US nuclear umbrella in Asia, has gravely concerned the US's allies. Even if he now chooses not to follow through on campaign statements implying a disregard for foreign security commitments, the perception of the US as a less reliable partner will persist.

As a result, non-Americans around the world will no longer hold quite such positive views of the US. Fewer individuals or governments will give Trump, or his country, the benefit of the doubt. A 2014 Chatham House study on perceptions of the US among members of elites in Europe and Asia suggested that in the past Europeans, in particular, have typically had confidence in the US acting for the 'right' reasons, even if the country sometimes does what they perceive as the 'wrong' thing. (The study also showed that Europe has historically cherished US moral leadership.) However, the survey also indicated that this sentiment increasingly appears to be fading.¹⁵

¹⁴ Trump is not proposing US withdrawal from the world. In fact, he suggests an increase in military spending and a strengthening of its ability to effect its will internationally – but only to achieve direct, vital national interests, rather than to support allies.

¹⁵ See, Dormandy, X. and Webb, J. (2014), *Elite Perceptions of the United States in Europe and Asia*, Chatham House Report, London: Royal Institute of International Affairs, <https://www.chathamhouse.org/publication/elite-perceptions-united-states-europe-and-asia> (accessed 5 Dec. 2016).

In this environment, many long-standing allies will be wary of close relations with the US. Efforts to cultivate or maintain bilateral relations will be complicated by the political cost of being seen to cooperate with an America that is now viewed more critically by the relevant countries' own populations.

A distracted Europe

As Trump takes office, the US's European allies are engaged in a struggle for the survival of the EU. Questions about the longevity of the EU have been around for many years, but were heightened by the 2008–09 global financial crisis and the subsequent 2010–12 sovereign debt crisis in the eurozone. The struggles suffered by many EU member states (particularly Greece, Spain and Portugal) in responding to these difficulties raised high the threat that one or more of them would drop out of the euro, and perhaps out of the EU altogether. Although this has not yet happened in the above-mentioned countries, a clear and present danger to the future of the European project materialized in June 2016 when the UK voted to leave the EU; the country is preparing to begin negotiations on its exit.

With most member states focused on trying to hold the EU together, they have little time, attention and resources to address broader international concerns, which include thinking about the challenges to other pieces of the (mostly European) policy architecture. NATO's role in Europe and ability to respond to the threat from Russia is one such challenge. Forthcoming national elections in EU countries, notably in France and Germany this year, will ensure an inward-looking Europe in which policies are likely to address domestic priorities with little attention to their international consequences.

For the US, this means that the Trump administration will need to navigate an environment in which some of Washington's closest and longest-standing allies are heavily distracted by other events.¹⁶

Growing European populism/nationalism

Compounding the challenge for the US of dealing with Europe is the rise of populism and nationalism across much of the continent. This played a significant role in the 2016 'Brexit' vote in the UK, and it may affect the elections in France in the spring of 2017 and perhaps the German federal election in the autumn. Populism and nationalism have already had a political impact in Greece, Spain, Hungary, Poland and Italy, to name just five other European countries.

The trend is forcing politicians everywhere to take note. In many European countries politicians and policymakers have emphasized the primacy of domestic issues and interests, to the detriment of internationalism and globalization. This has the potential in the next few years to significantly alter how governments respond to international challenges, whether those from migration, environmental issues or trade. Mainstream politicians are having to respond to the rise of populism by adopting less internationalist postures themselves, and by pushing back against the liberal consensus on the interdependence of states.

In the long term, it is unlikely globalization will be rolled back significantly. However, in the short term, countries are increasingly defining their interests more narrowly and becoming less willing to come together to tackle common problems. This changes the domestic political calculus for many. It certainly complicates the environment in which Trump – should he so desire – will have to approach building collaborative relationships with other leaders.

Personality constraints

The third broad contextual factor that needs to be taken into account when assessing the incoming administration's prospects is Trump's personality. Typically, a president's character is not a factor that requires deep analysis; in most elections the winning candidate has a long political background and conforms to a certain type. However, Trump's personality and style of operating are so different from those of previous presidents that it is worth asking how his approach might affect the way in which foreign leaders and publics perceive and interact with the US.

The study on 'elite perceptions' mentioned earlier showed that the US president is by far the most important actor in influencing foreign views of the US. (Other political roles in the US have much less resonance, and the workings of America's government are poorly understood overseas.) These perceptions have significant implications for how the US is treated, and how other countries engage with it.

Any assessment of Trump must be based on his behaviour to date, as a flamboyant business leader and candidate for president. It is possible, albeit unlikely given his actions as president-elect, that he will significantly change his behaviour as president. The analysis in the rest of this section could therefore prove to be premature. However, even if he does moderate his external persona and way of interacting with the world, the international community will take his previous words and actions into account. A level of uncertainty about him will remain.

¹⁶ For more information on the transatlantic relationship, see Chapter 9 of this report.

An unpredictable and thin-skinned personality

Trump values unpredictability. He believes that it adds strength to a negotiating position. He has questioned what he sees as the Obama administration's propensity to inform adversaries of its coming actions, such as in the case of the operation to retake the Iraqi city of Mosul from ISIS.¹⁷

This desire for unpredictability will have two profound effects. The first is that allies will no longer be able to make firm decisions based on the president's statements, as they will not know whether these will turn out to be interim positions or tactical postures hiding true positions.¹⁸ It will be far harder for allies to have confidence in committing to actions and policies that rely on US involvement.

Trump's reputation for being 'thin-skinned' and confrontational has potentially profound implications. How he will respond when foreigners negatively comment on the US, or on Trump himself, is uncertain.

The second effect will be on potential adversaries. They, too, will not know what the president is likely to do. They will have to calculate more carefully in certain situations, and leave more room for flexibility in their plans than they otherwise might wish to do. (North Korea, incidentally, has used such unpredictability to great effect in its dealings with the US and the international community.)

Trump's reputation for being 'thin-skinned' and confrontational has potentially just as profound implications. He finds it extremely hard to not lash out at those who criticize him. How he will respond when foreigners negatively comment on the US, or on Trump himself, is uncertain. An unmeasured reaction could upset allies, provoke adversaries or destabilize all manner of sensitive situations.

Short-termist and transactional thinking

Trump has a short-term and transactional perspective that will affect how he approaches problems. He is likely to consider each issue independently of other issues, with less consideration for their interdependence and the repercussions that decisions in one area might have in another.

Of course thinking and acting transactionally are not uncommon for the US government. Its interactions with

Russia and China have often, in effect, been transactional. This has helped to ensure that lack of progress in one area has not prevented progress in others (for example, the US has collaborated with China on environmental issues, even while there has been friction between the two countries on economic issues, cyber espionage and territorial complaints).

However, in most such cases, a longer-term view is also involved. This seems to be largely lacking with Trump. The consequences of this are uncertain, and will probably not be truly realized until later in Trump's presidency or after he leaves office. There is a political tendency in the US to think in four-year increments (i.e. the length of a presidential term), but this analytical horizon is likely to be shortened as Trump considers only the current deal or situation without consideration of its impact on future engagements.

A tendency to rhetorical excess

Trump is prone to rhetorical flourishes that are uncommon in a president. During the campaign many Americans found his bluntness appealing, while taking his outrageous statements – many of which would have irreparably damaged another candidate's campaign – with a pinch of salt. However, real-world diplomacy demands that words and nuances are carefully considered and explored. Already Trump has come under criticism for the style of his initial discussions with foreign leaders, such as with Prime Minister Nawaz Sharif of Pakistan, and for an introductory conversation with Taiwan's President Tsai Ing-wen that contravened the US's post-1979 policy towards China and Taiwan.¹⁹

Even as Americans learn to treat Trump's rhetoric with scepticism, foreign audiences will continue to take his comments seriously. This is likely to have far-reaching implications, particularly in Trump's early years in office. For example, an injudicious comment on Pakistan will affect how Indians see Trump and the US, potentially creating friction that will make it harder for the administration to achieve its objectives in South Asia.

Trump's penchant for publishing impromptu remarks on social media could also spell trouble. During the campaign and transition he was prone to statements on Twitter that departed both from the Republican Party line and government policy. If, while president, he posts tweets that contradict the administration's position on an issue, this could diminish policy credibility and leave allies and adversaries uncertain about the US's intentions.

¹⁷ Schmitt, E. (2016), 'Donald Trump Is Wrong on Mosul Attack, Military Experts Say', *New York Times*, 20 October 2016, http://www.nytimes.com/2016/10/21/us/politics/donald-trump-mosul-iraq.html?_r=0 (accessed 5 Dec. 2016).

¹⁸ This is equally true for US cabinet members and senior advisers, who will not be able to rely on Trump maintaining a single policy position to conclusion, thus making it far harder for them to rely on presidential support for initiatives.

¹⁹ Landler, M. (2016), 'Trump's Breezy Calls to World Leaders Leave Diplomats Aghast', *New York Times*, 2 December 2016, <http://www.nytimes.com/2016/12/01/us/politics/trumps-off-the-cuff-remarks-to-world-leaders-leave-diplomats-aghast.html> (accessed 5 Dec. 2016).

It could also complicate private negotiations, such as those involving the G7, the G20, NATO or the Asia-Pacific Economic Cooperation (APEC) forum. A lack of diplomatic niceties on Trump's part will make it harder for other leaders to manage their own responses to different situations. It is likely that this style will slow negotiating and decision-making in these institutions, making them less responsive.

Conclusion

Many contextual factors, in addition to those mentioned above, have underpinned Trump's path to the presidency. The effects of some will no doubt re-emerge during his time in office. Perhaps the most obvious is his stirring of racial and cultural divisions: his campaign brazenly appealed

to white older men, and focused this cohort's anger and frustration on minorities and immigrants. The controversial positions he adopted – whether sincerely held or intended as vote-winners – on a range of issues will inevitably affect Trump's subsequent policy choices and the direction in which he takes the country. That said, the racial and cultural undertones to his campaign and transition are likely to have a bigger impact on domestic issues than on foreign policy, so these are not the focus of this report.

The 10 chapters that follow have taken into account the constraints and factors outlined here, and which provide some boundaries as to what is possible under Trump's presidency. While he may intend to pursue certain policies, context – from the composition of his cabinet to international perceptions of the US and himself – will affect how well he is able to implement them. In a Trumpian world of uncertainty, circumstances offer us some guidelines to follow.

2. Defence

Julianne Smith and Rachel Rizzo, with Adam Twardowski

Key points

- Some of Donald Trump's rhetoric has suggested that his administration's defence policy could upend the traditional consensus of the US foreign policy establishment. However, he reversed course several times during the election campaign, so his approaches to some security challenges might not look very different from those of the Obama administration.
- Trump has criticized low levels of European defence spending. He has promised to cut US financial contributions to NATO and continue the removal of US troops from Europe. But his efforts are likely to be blocked both by hawkish elements in the Republican-controlled Congress and by his own senior military advisers.
- Trump has said that he is for normalizing relations with Russia. This could leave room for the Kremlin to recreate and extend a sphere of influence inside Europe.
- In Asia, Trump will find himself under pressure from his cabinet to maintain (and perhaps increase) US military engagement. Despite campaign rhetoric to the contrary, this could include affirming security guarantees with Japan, South Korea and others, and warning China of militarizing contentious areas.
- In the next four years, Trump could choose to push back against the US security establishment and seek to disengage America from its global security commitments. Equally, unforeseen crises and complex changes in the international security landscape could push the Trump administration into taking a more aggressive stance in American security policy.

On 8 November 2016, one of the most contentious and polarizing presidential election campaigns in recent US history came to an end with the shock victory of Republican nominee Donald Trump. Throughout the campaign, he tapped into strains of nativism and populism among Americans, focusing on his core message of putting 'America first'. As the incoming president, Trump inherits a long list of foreign and defence policy challenges that will require US attention at a time when Americans are increasingly sceptical about engagement abroad. From an unstable Middle East to a resurgent Russia, an increasingly assertive China and a Europe cracking under internal and external pressures, President Trump will face tough choices about how and when to apply the various instruments of US power.

Trump's views on how best to balance hard and soft power vacillated throughout the presidential campaign, and, because he has never held elected office, one cannot reference history to determine how he may approach various situations. The US and its allies now must wait to see how his often bombastic campaign rhetoric plays out in office. This chapter highlights the international security landscape that President Trump will inherit, with the goal of helping determine what the defence policy of his administration may look like in practice.

Background

Depending on who you ask, the defence policy of the outgoing president, Barack Obama, can be characterized by pragmatism, engagement and hints of realism; or by retrenchment, weakness and deliberate restraint, to the detriment of US credibility. During his time in office, Obama described himself as a realist and an internationalist. He voiced strong support for international institutions underpinning the US's security and prosperity, while stressing the limits of American power in resolving complex problems abroad.²⁰ He entered the Oval Office set on deepening relationships with allies and extending a hand to potential partners. He also promised to untangle the US from the wars in Iraq and Afghanistan, to avoid future wars and to reverse some of the previous administration's counterterrorism policies. But many external forces and circumstances shaped the pursuit of these goals in unforeseen ways.

During the George W. Bush and Obama administrations, the depth of US defence engagement abroad has varied. In general, three different approaches have characterized the US response to security dilemmas in this period: heavy engagement, as seen in the protracted counter-insurgency ground wars in Iraq and Afghanistan; limited engagement through the use of air power, local forces and multinational institutions, as seen in Libya; and, until 2014, a cautious and relatively hands-off approach to avoid getting mired in conflicts that may not directly implicate US security interests or cannot be easily solved by US military intervention, as seen in Syria. While each approach has its unique rationale, none has succeeded in resolving the conflict in question, and the conflicts in Afghanistan, Libya and Syria have yet to subside. This raises questions as to the success and sustainability of current US policy in these various theatres.

²⁰ Goldberg, J. (2016), 'The Obama Doctrine', *Atlantic*, April 2016, <http://www.theatlantic.com/magazine/archive/2016/04/the-obama-doctrine/471525/> (accessed 3 Aug. 2016).

In addition to reducing the US military footprint abroad, and after campaigning on a promise to reform controversial intelligence-gathering practices, President Obama attempted early on to roll back some of the counterterrorism practices of the Bush administration. During his first 100 days in office, Obama signed executive orders that banned waterboarding and other legally questionable interrogation techniques.²¹ In other areas, though, such as the closure of Guantánamo Bay detention camp, progress has been elusive – thanks in no small part to partisan disagreements about how to try detainees or where to deport them to. Simultaneously, and even more so than President Bush, President Obama relied heavily on drones in an attempt to target foreign terrorists with more surgical precision and with as limited a footprint as possible.²²

Besides myriad complex events overseas, there have been domestic challenges to a comprehensive defence policy under Obama. Congress has failed every year since 2009 to pass a budget resolution, which has resulted in the government being funded with stopgap measures that make long-term defence planning difficult. Partisan rancour over the debt ceiling led to the enactment of the Budget Control Act of 2011, which imposed dramatic spending cuts and reduced defence outlays.²³ However, a bipartisan consensus soon grew to argue that this legislation hinders the US's ability to adequately address security challenges, suggesting that the defence budget could begin to grow again in the coming years.²⁴

Decisions made over the last decade have laid the groundwork for the Trump administration, and many of the defence challenges faced by President Obama could persist indefinitely. There is no sign of the conflicts in the Middle East abating, Russia continues to intimidate its neighbours, there is growing friction in the Asia-Pacific, domestic politics are perhaps more heated than ever, and the threat of terrorism will continue to be a central focus. All of this combines with a US public that is increasingly polarized, with many believing the country should turn inward to focus on its own issues. This, in turn, translates

into a public that is also increasingly wary of overusing US defence tools abroad.²⁵ In short, President Trump must be ready to face many simultaneous challenges overseas and at home.

Trump's policies

Based on his campaign rhetoric, President Trump's defence policy may differ greatly from President Obama's as well as upending points of consensus in the foreign policy establishment.²⁶ However, because the realities of governing are vastly different from campaigning, it is not possible to forecast if Trump will implement many or even some of his unconventional defence policy views. Those views, including on how the US ought to position itself in world affairs and engage with allies and adversaries, differentiate him from virtually every major presidential candidate in recent history.

Trump's views, including on how the US ought to position itself in world affairs and engage with allies and adversaries, differentiate him from virtually every major presidential candidate in recent history.

His starting point is his core message of 'America first', which resonated with a large swathe of the electorate, and which he contrasts with the perceived weakness of President Obama's foreign and defence policy. This message has unsettled many of the US's allies by creating concern that its global relationships could fray during a Trump administration. But Trump has reversed his position on many policy issues during the campaign and since the election. This makes labelling his defence policy a difficult task, since one can find in it elements of isolationism, realism and interventionism, sometimes even in the same statement.²⁷ Broadly, he appears to favour hard power for addressing global security challenges but has also touted his ability to 'cut deals', a skill he has frequently invoked when asked how he would deal with world leaders like

²¹ White House (2009), 'Executive Order 13491 – Ensuring Lawful Interrogations', 22 January 2009, https://www.whitehouse.gov/the_press_office/EnsuringLawfulInterrogations (accessed 3 Aug. 2016).

²² Byman, D. L. (2013), 'Why Drones Work: The Case for Washington's Weapon of Choice', Brookings Institution, 17 June 2013, <http://www.brookings.edu/research/articles/2013/06/17-drones-obama-weapon-choice-us-counterterrorism-byman> (accessed 3 Aug. 2016).

²³ US Congressional Budget Office (2015), *The 2015 Long-Term Budget Outlook*, ch. 4, <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/50250/50250-breakout-Chapter4.pdf> (accessed 3 Aug. 2016).

²⁴ Flournoy, M. and Edelman, E. (2014), 'Cuts to defense spending are hurting our national security', *Washington Post*, 19 September 2014, https://www.washingtonpost.com/opinions/cuts-to-us-military-spending-are-hurting-our-national-security/2014/09/18/6db9600c-3abf-11e4-9c9f-ebb47272e40e_story.html (accessed 3 Aug. 2016).

²⁵ Pew Research Center (2016), *Public Uncertain, Divided Over America's Place in the World*, 5 May 2016, <http://www.people-press.org/files/2016/05/05-05-2016-Foreign-policy-APW-release.pdf> (accessed 3 Aug. 2016).

²⁶ War on the Rocks (2016), 'Open Letter on Donald Trump from GOP National Security Leaders', 2 March 2016, <http://warontherocks.com/2016/03/open-letter-on-donald-trump-from-gop-national-security-leaders/> (accessed 3 Aug. 2016).

²⁷ Kruse, M. and Weiland, N. (2016), 'Donald Trump's Great Self-Contradictions', *Politico*, 5 May 2016, <http://www.politico.com/magazine/story/2016/05/donald-trump-2016-contradictions-213869> (accessed 3 Aug. 2016).

President Vladimir Putin of Russia. He has said that he would take a more forceful stance towards China, has vowed to crush Islamic State of Iraq and Syria (ISIS), has promised to grow the military, and has pledged to stop allowing allies such as Japan or NATO members to 'free ride' on the benefits of the US security blanket.

However, such statements give observers few clues as to what President Trump will actually do. To the extent that he has put forward concrete policy proposals, they tend to lack details and specificity. On the Middle East, Trump advocates a more intensive campaign against ISIS and its affiliates, stating that his administration 'will aggressively pursue joint and coalition military operations to crush and destroy ISIS'. But he also made clear that the fight will not just be limited to ISIS, and that he will also 'decimate Al Qaeda, and seek to starve funding for Iran-backed Hamas and Hezbollah'.²⁸ However, because of the basic infeasibility of some of these suggestions, Trump's strategy against ISIS and the group's affiliates might end up not looking all that different from that of the Obama administration. Predictions about Trump's behaviour towards ISIS are difficult to make because he has also criticized protracted US engagement in the Middle East as wasteful and ineffective. This suggests that he might recoil from making large commitments of troops to Syria and could potentially deepen cooperation with Russia in order to avoid too much involvement, all the while continuing initiatives such as air operations, stopping financial flows to terrorist groups, and training and supplying local forces.

Towards the beginning of his election campaign, Trump repeatedly questioned the relevance of NATO and the benefits the US receives for its de facto leadership of the alliance.²⁹ Although he retreated from those comments closer to the election, he promised that the US would slash its financial contributions to the alliance, and indicated that he would pull all American troops out of Europe.³⁰ Trump's choice as national security adviser, Michael Flynn, has also been highly critical of NATO, downplaying the allies' contributions to the US-led mission in Afghanistan, and saying that the US 'gives, gives, gives' to NATO without getting anything in return. This could not be further from the truth. Europeans have stopped the budgetary cuts of the mid-2000s, and their defence spending has grown by over 8 per cent since 2015.

However, if Trump chooses to ignore Europe's efforts to increase defence spending, he could easily seek to reverse the funding for the European Reassurance Initiative, launched in 2014 to boost US military engagement in the region,³¹ so as to put pressure on Europe to contribute more to its own defence. However, this would most likely be blocked by a hawkish Republican-led Congress. Furthermore, Trump has promised that he will listen carefully to senior military leaders on national security matters; if he follows through on that promise, he will quickly discover that the military leadership resoundingly supports membership of NATO, believing that it confers vast security advantages that justify the expense.³² This cohort includes his pick for secretary of defence, James Mattis, a former Marine Corps general who was at one point NATO Supreme Allied Commander Transformation. With no congressional or military support for ending or significantly changing the US role in the alliance, Trump would face a tough backlash if he attempted to take steps in this direction.

Perhaps a more alarming defence policy stance is Trump's eagerness to normalize relations with Russia despite its ongoing hostility to NATO and American interests in Eastern Europe. Trump's dismissal of NATO's relevance to US national security has unsettled the alliance's Eastern European members, who point to Russia's annexation of Crimea and its increasingly aggressive behaviour as sources of growing anxiety about their own security. Trump does not appear to regard Russia's behaviour in Ukraine as a threat to US interests, having stated repeatedly that he admires President Putin's leadership and having even gone so far as to say that he would 'take a look at' accepting Russia's claim over Crimea.³³ After the election, Trump spoke with President Putin over the phone before speaking to leaders at the Department of Defense or receiving calls from close US allies, a move that angered many in the foreign policy sphere. Time will tell how the relationship will evolve under President Trump. If he takes a softer approach, Russia's desire for a sphere of influence in Europe could come to fruition. While there are significant political and institutional limitations to an all-out rapprochement with Russia – especially the opposition of hawkish Republican members of Congress, military

²⁸ Politico (2016), 'Full text: Donald Trump's speech on fighting terrorism', 15 August 2016, <http://www.politico.com/story/2016/08/donald-trump-terrorism-speech-227025> (accessed 7 Dec. 2016).

²⁹ Sanger, D. and Haberman, M. (2016), 'Donald Trump Sets Conditions for Defending NATO Allies Against Attack', *New York Times*, 20 July 2016, http://www.nytimes.com/2016/07/21/us/politics/donald-trump-issues.html?_r=0 (accessed 3 Aug. 2016).

³⁰ O'Toole, M. (2016), 'Is NATO Still Relevant? Trump's Not the Only One Asking', *Foreign Policy*, 1 April 2016, <http://foreignpolicy.com/2016/04/01/is-nato-still-relevant-trumps-not-the-only-one-asking/> (accessed 3 Aug. 2016).

³¹ White House (2016), 'FACT SHEET: The FY 2017 European Reassurance Initiative Budget Request', 2 February 2016, <https://www.whitehouse.gov/the-press-office/2016/02/02/fact-sheet-fy2017-european-reassurance-initiative-budget-request> (accessed 3 Aug. 2016).

³² Herb, J. and Wright, A. (2016), 'Top U.S. Military leaders tout NATO's relevance', Politico, 30 March 2016, <http://www.politico.com/story/2016/03/nato-defense-carter-dunford-trump-221396> (accessed 3 Aug. 2016).

³³ Diamond, J. (2015), 'Donald Trump lavishes praise on 'leader' Putin', CNN, 18 December 2015, <http://www.cnn.com/2015/12/18/politics/donald-trump-praises-defends-vladimir-putin/> (accessed 3 Aug. 2016).

leaders, intelligence community officials and probably even members of Trump's inner circle – the president enjoys wide constitutional latitude to shape foreign policy according to his own preferences.

With regard to Asia, Trump has devoted much of his attention to the US's economic relationship with China. Rejecting the bipartisan consensus, he has assailed existing trade ties with China by arguing that the US 'rebuilt China, and yet [China] will go in the South China Sea and build a military fortress the likes of which perhaps the world has not seen [because] they have no respect for our president and they have no respect for our country'.³⁴ Trump is unlikely to deepen military-to-military engagement with China. More alarmingly for the stability of the Asia-Pacific, during the campaign he suggested that Japan and South Korea ought to develop their own nuclear weapons, while questioning the value of US investments in the region's security.

Despite this rhetoric, it is probable that the Trump administration will quickly recognize the destabilizing danger of a regional arms race, and therefore will reaffirm US security guarantees to Japan, South Korea and others while warning China against taking steps to militarize contentious areas such as the South China Sea. In recent years, the US defence establishment has devoted considerable attention to China's power and the implications of its expansive territorial claims for US security and interests. Trump will not easily alter the consensus on balancing China in concert with key regional allies, particularly given the importance of its rise to the region's economic vitality and the risks of altering or denigrating long-standing US security arrangements. Trump's promise to rebuild a 350-ship navy, if put into action, may even alarm China and fuel its concerns that the US will intensify its balancing policy by devoting even more resources to the US military footprint in the Asia-Pacific.

Shifting to domestic politics, Trump seems to differ from past administrations when it comes to the defence budget. Although he has promised a military that will 'be much stronger than it is right now', he has also said that the US 'can do it for a lot less'.³⁵ He has been highly critical of expensive weapons systems such as the Littoral Combat Ship and the F-35 Joint Strike Fighter. But weapons procurement is the product of a web of political relationships between the Department of Defense,

defence companies and Congress that presidents often have a hard time navigating effectively. Trump, who has no experience in defence budget planning or policy, will likely find himself facing tough resistance from the defence community if he blatantly contradicts its recommendations and pursues aggressive cuts to existing procurement projects.

But therein lies the real rub: in Trump's view, the national security 'elites' are actually the ones to blame for many of the foreign policy failures over the past 15 years. It will therefore be unsurprising, and even expected, to see continuous friction between a Trump White House and other centres of decision-making, as well as the wider foreign policy community. Furthermore, despite his promise to rein in federal spending and cut waste, Trump will probably increase defence outlays. He has called for an elimination of the sequester on defence imposed by the Budget Control Act. Although Trump has not provided enough information about his defence priorities for observers to make confident predictions about future budgets, the National Defense Panel estimates that his policies may result in \$800–900 billion more in defence spending over the next decade than current budget projections predict.³⁶

International implications

President Trump will need to contend with the increasing scepticism among Americans about the value of engagement abroad, international institutions and alliances – scepticism that he fanned as a candidate. Americans are wary of increased global engagement, even more wary of continual overseas wars, and would likely disapprove of increased military engagement. Currently, 60 per cent of those aged 18–29 oppose sending ground troops to Iraq and Syria, and 47 per cent of the population say that relying too much on military force creates resentment towards the US and more terrorism.³⁷ The US's allies and partners should expect President Trump to ask more of them in order to appease concerns that it is doing too much in the world. This could include advocating increased contributions to international missions such as the counter-ISIS coalition, or pushing NATO members to increase their defence budgets further. The US will also look for its European allies to contribute more militarily to shaping the future of the Middle East, and possibly Asia as well.

³⁴ *New York Times* (2016), 'Transcript: Donald Trump Expounds on His Foreign Policy Views', 26 March 2016, <http://www.nytimes.com/2016/03/27/us/politics/donald-trump-transcript.html> (accessed 8 Aug. 2016).

³⁵ Gault, M. (2016), 'Donald Trump is right about defense spending – and that should scare you', Reuters, 2 March 2016, <http://blogs.reuters.com/great-debate/2016/03/02/trump-is-right-about-defense-spending-and-that-should-scare-you/> (accessed 3 Aug. 2016).

³⁶ Herb, J. and O'Brien, C. (2016), 'Trump turns defense hawk', Politico, 7 September 2016, <http://www.politico.com/story/2016/09/trump-turns-defense-hawk-227855> (accessed 15 Dec. 2016).

³⁷ Pew Research Center (2016), *Public Uncertain, Divided Over America's Place in the World*, 5 May 2016, <http://www.people-press.org/2016/05/05/public-uncertain-divided-over-americas-place-in-the-world/> (accessed 15 Dec. 2016).

Although it is difficult to tell which exact shape President Trump's defence policy will take, it is clear that the next four years could look very different for the US and its allies in terms of defence. He could easily decide to push back on 'Washington establishment' thinking, and pull the US inward, leading to disengagement from world affairs. But it is also possible that the pressure of unforeseen crises and the complexity of the international security landscape could unexpectedly lead to a more aggressive American policy in the Middle East or Asia.

The difficulty for President Trump will be to find a happy medium that addresses the concerns of the American public and the US's allies, which are often at odds.

Trump's 'America first' approach has pros and cons. Focusing on the homeland can give the US the opportunity to rebuild its economy and tackle domestic issues such as immigration and healthcare. These are the issues that resonate with the public and determine a president's popularity at home. But this is only one piece of the puzzle. If the US disengages from world affairs, this could be detrimental to the liberal world order and could have a knock-on effect on American security through increased international instability and uncertainty. This does not mean that the US should be the guarantor of security in all corners of the globe. But it does mean that it should use its position in the world to help strengthen the foundation upon which the liberal order is built. The difficulty for President Trump will be to find a happy medium that addresses the concerns of the American public and the US's allies, which are often at odds. Friendly foreign powers will continue to seek greater US influence and reassurance. Foreign competitors may attempt to create instability and expose American vulnerabilities. Both will have a strong impact on Trump's defence policy.

Conclusion

Although the rhetoric stemming from Trump's campaign was full of hyperbole and contradictory statements, there are a few things to keep in mind in predicting what his defence policy will be. One is that he will be confined by the political realities of office, which make it difficult for presidents to deliver on many of their campaign promises. Many actions, especially those that employ the US military, require congressional support. Absence of such support makes policies almost impossible to push through. One must also remember that some of the most vehement opposition to Trump's candidacy came from Republicans in Congress, so he could run into this problem if he wants to disengage with Europe, cosy up to Putin, or aggressively tackle ISIS through an indiscriminate bombing campaign or through the reintroduction of illegal practices such as torture. Finally, a president's success largely hinges on popular support, something that has confronted Trump since his election as he has already performed about-faces on some of the domestic policies that won him support among Middle America. Unpopular defence policies also come under intense scrutiny, so any unconventional or extreme policies would likely (and quickly) be met with a backlash not only from public opinion, but also from the many experts writing about and analysing the administration and subsequently shaping public opinion. Although going against expert opinion has not hindered Trump in the past, one must remember that governing is far different from campaigning.

Whichever shape Trump's defence policy may take in the long run, it is abundantly clear that this could be one of the most consequential presidential administrations in US history. President Trump could shape the future of the global order for years, or even decades, to come. We must now wait and see what role he envisions for the US as a piece of the global puzzle.

3. Economy

Christopher Smart

Key points

- Donald Trump's economic agenda during the election campaign embraced conventional Republican tenets of broad tax reductions and the repeal of President Obama's healthcare reforms. But his mercantilist trade policy ideas and anti-immigration rhetoric represented a departure from mainstream US Republicanism.
- Trump's post-election comments left open many questions about which of his campaign promises he will pursue once in office. Tax cuts and infrastructure spending seemed high on the list, although the promise to repeal 'Obamacare' may prove difficult to enact quickly or without a long transitional period.
- Republican majorities in both the House and Senate appear unlikely to confront Trump over the need to raise the debt ceiling in March 2017, but they may begin to resist the administration's fiscal plans if the budget deficit expands too quickly.
- Security and economic challenges (from the eurozone crisis to instability in the Middle East) may force the president to engage more on international economic and financial issues that he might otherwise prefer to let drift. Nevertheless, Trump's rhetorical style may make economic summits such as the G7 or APEC less cooperative, and would likely make it more difficult for political leaders to coordinate any response to renewed global financial instability.

There were three great puzzles in this deeply puzzling US presidential election on matters of economic policy. First, the words did not match the numbers. The anger and frustration levelled at America's financial and political establishments in the campaign suggested a country in deep economic recession, where the winning candidate mustered a large following with promises to upend everything. And yet the actual numbers tell a far brighter story: stronger growth than any major advanced economy, an unemployment rate that has halved since 2008, negligible inflation rates, and petrol prices lower than anyone can remember. Amid the tumultuous campaign, financial markets delivered the second-longest bull run in the history of the S&P 500.

The second puzzling feature in the campaign was that the central issues of the previous presidential election – the twin deficits and national debt – were barely mentioned, while the economic debate centred on Wall Street greed, trade fairness and inequality.³⁸ The 2015 budget deficit was 2.5 per cent of GDP, compared to almost 10 per cent in 2009. However, the debt trajectory remains substantially unchanged, and there has been startlingly little serious discussion of reform to legally mandated entitlement programmes such as Medicaid, Medicare and Social Security.³⁹

The intensity of the anger and frustration with establishment candidates presents a third puzzle. The insecurity of the middle class, the hollowing out of the manufacturing sector and the stagnation of incomes have shaped the US economy for decades. Polls suggest that roughly two-thirds of registered voters believe the economic system unfairly favours the powerful, and the leading candidates each conspicuously tapped into such insecurity.⁴⁰ A partial explanation for why this issue was particularly salient in 2016 may lie in the growing political prominence of 'millennials', i.e. those aged 18–29, roughly half of whom say the country is on the wrong track and who now outnumber 'baby boomers' in their 50s and 60s.⁴¹

While an international audience might worry that the rhetoric heard during the campaign heralds a period of self-absorbed isolationism for the US, the reality is more nuanced. In one poll roughly two-thirds of Americans said the country should concentrate on its own problems, a stronger view among Republicans than Democrats. But, at the same time, approximately six in 10 said the world would be a worse place without active US involvement.⁴² Donald Trump's victory will likely bolster anti-immigrant and anti-trade views and, at least initially, encourage more focus on domestic issues. Still, the requirements of the office and the dynamics of the global economy are eventually likely to force more engagement than campaign rhetoric suggested.

³⁸ Pew Research Center (2016), 'Budget Deficits Slip as Public Priority', 22 January 2016, <http://www.people-press.org/2016/01/22/budget-deficit-slips-as-public-priority/2/> (accessed 6 Jun. 2016).

³⁹ Congressional Budget Office (2016), 'Budget and Economic Outlook and Updates', https://www.cbo.gov/about/products/budget_economic_data#3 (accessed 6 Jun. 2016). The deficit subsequently widened again to 3.2 per cent of GDP in fiscal year 2016. Congressional Budget Office (2016), 'Monthly Budget Review: Summary for Fiscal Year 2016', 7 November 2016, <https://www.cbo.gov/publication/52152> (accessed 13 Jan. 2017).

⁴⁰ Pew Research Center (2016), 'Campaign Exposes Fissures Over Issues, Values and How Life Has Changed in the U.S.', 31 March 2016, <http://www.people-press.org/2016/03/31/campaign-exposes-fissures-over-issues-values-and-how-life-has-changed-in-the-u-s/> (accessed 6 Jun. 2016).

⁴¹ Harvard Institute of Politics (2016), 'Clinton in commanding lead over Trump among young voters, Harvard Youth poll finds', <http://iop.harvard.edu/youth-poll/harvard-iop-spring-2016-poll> (accessed 6 Jun. 2016).

⁴² Wickett, X. and Stokes, B. (2016), 'Allies Beware: Americans Support a More Limited Role for the US', Chatham House Expert Comment, 12 May 2016, <https://www.chathamhouse.org/expert/comment/allies-beware-americans-support-more-limited-role-us#sthash.4rgclO32.dpuf> (accessed 3 Jun. 2016).

Background

The election came as the US economy continued, on the whole, to be a strong driver of the global recovery. In October 2016 the IMF said it expected the country's output to grow by 1.6 per cent in the year as a whole: down from 2.2 per cent in the previous estimate in July, and behind the 4.2 per cent aggregate growth projected for emerging economies, but still on a par with most other developed markets.⁴³ The IMF noted that the US is benefiting from stronger corporate balance sheets, a healthy housing market, and fiscal policy that is no longer a drag on growth (unlike during the 2012 presidential campaign). Longer-term forecasts, however, remain closer to 1.8 per cent given the country's ageing population and lower productivity projections.⁴⁴ For advanced economies like the US, the IMF recommended a slow tightening of monetary policy, supportive fiscal measures and structural reforms to boost growth.⁴⁵

Many of these ideas were included in President Barack Obama's recent budgets, but they stood little chance of passing given opposition in Congress. What little political capital he had following government rescues of the banking and automobile industries early in his first term, the president went on to spend on a close partisan vote to expand and reform healthcare insurance. While the Affordable Care Act may have created some near-term headwinds to the recovery, its impact on longer-term economic efficiency remains to be seen.⁴⁶ In any case, amid the acrimony that followed the battle over 'Obamacare', there was little appetite within the administration to tackle other key economic challenges such as comprehensive tax reform or infrastructure investment. Moreover, so-called Tea Party Republicans, committed to making the government smaller, focused their efforts on blocking anything that looked like compromise with the administration through repeated brinkmanship over the budget.

At least initially, President Trump is likely to face a much easier ride in Congress, with Republicans in control of both houses. They are likely to reach terms easily on raising the debt limit in March 2017. Trump's advisers have even spoken approvingly of the idea of an infrastructure bank, which earlier Republican majorities had stricken from Obama budget proposals.

Trump's policies

For a candidate who in most other respects was long on rhetoric and short on details, Trump has offered a substantial set of economic policy ideas with significant consequences. These blend traditional Republican proposals for tax cuts with substantial departures from the party's historical commitment to expanding free trade and generally welcoming immigration, both of which Trump derided as the root causes of all that afflicts American workers. Consequently, it is especially difficult to project which of his ideas might secure legislative approval. Trump will enjoy Republican majorities in the House of Representatives and the Senate, but he may have trouble securing lasting support for an agenda that significantly expands budget deficits or tilts decisively towards protectionism.

Moreover, many of Trump's ideas have been presented as dramatic goals or measures, without a specific strategy for achieving them; even those on which he has been more specific have now been put in doubt by more moderate post-campaign rhetoric. Some have argued that Trump's business record suggests he will be more of a practical technocrat once in office, and that he merely assumed a campaign posture of bombastic confrontation. Nonetheless, some of his proposals have raised red flags in the business community.

Trump's tax plans are perhaps the most difficult to categorize. On the one hand, they include an extreme set of cuts favoured by many Republicans. Under his plan, the tax rate in the top income tax bracket would fall from 39.6 per cent to 33 per cent, the estate tax would be fully eliminated, and no business large or small would pay more than 15 per cent of income in taxes.⁴⁷ On the other hand, traditional Republicans are alarmed by his rhetoric on closing tax loopholes so that the rich pay more in taxes, and on forcing US firms to pay taxes on cash currently sitting abroad. They are also sceptical of his claims of wanting to balance the budget, or that merely attacking government waste, fraud and abuse will be enough to fund his tax cuts.⁴⁸ It is conceivable that Trump might be able to cobble together an eclectic mix of measures that pass Congress, but it remains difficult to project what might constitute a winning fiscal formula in his presidency. Meanwhile, his dramatic plans to boost infrastructure initially caught the

⁴³ International Monetary Fund (2016), *World Economic Outlook, October 2016*, p. 2, p. 20, <http://www.imf.org/external/pubs/ft/weo/2016/02/> (accessed 26 Oct. 2016).

⁴⁴ *Ibid.*, pp. 20–21.

⁴⁵ *Ibid.*, pp. 31–32.

⁴⁶ Sorkin, A. (2016), 'President Obama Weighs His Economic Legacy', *New York Times*, 28 April 2016, <http://www.nytimes.com/2016/05/01/magazine/president-obama-weighs-his-economic-legacy.html?action=click&contentCollection=Magazine&module=RelatedCoverage®ion=EndOfArticle&pgtype=article&r=0> (accessed 6 Jun. 2016).

⁴⁷ DonaldJTrump.com (2016), 'Tax reform that will make America great again', <https://www.donaldjtrump.com/positions/tax-reform> (accessed 15 Dec. 2016).

⁴⁸ Goldmacher, S. (2016), 'Trump launches tax plan rewrite', *Politico*, 11 May 2016, <http://www.politico.com/story/2016/05/donald-trump-taxes-tax-reform-223041> (accessed 6 Jun. 2016).

market's enthusiasm, although expectations of a large and immediate economic impact seem to overlook the inevitable time lags until shovels can begin to dig for new projects. Moreover, Trump's advisers seemed initially to stress that much of the new infrastructure investment would be encouraged by tax cuts for private-sector investments, rather than coming from significant new government borrowing and spending.

On immigration, Trump has proposed a variety of measures to restrict the influx of foreign workers, which he argues 'holds down salaries, keeps unemployment high, and makes it difficult for poor and working class Americans – including immigrants themselves and their children – to earn a middle class wage'.⁴⁹ Most dramatically, he has proposed to deport 11 million illegal immigrants within about two years, although his advisers now seem to be backing away from such extreme measures. He has also reiterated his concern about illegal arrivals from the south, and threatened to block remittances to Mexico unless its government underwrites the \$5–10 billion that could be needed to build the wall between the two countries that was a signature feature in his campaign.

More moderate versions of immigration reform have failed repeatedly in Washington, so it is difficult to see how Trump will have more success.

Trump's focus on limiting immigration comes as overall employment has risen and Mexican immigration has dropped substantially since the 2008 recession.⁵⁰ While the long-term impact of immigrant arrivals may have depressed wages in some job categories, many employers continue to complain that they cannot fill unskilled positions in agriculture or tourism at any wage without immigrants. More moderate versions of immigration reform have failed repeatedly in Washington, so it is difficult to see how Trump will have more success. Of greater consequence may be just the impact of any serious efforts to try. Even the threat of blocking remittances to Mexico from immigrants in the US, for example, could set off substantial deposit outflows that would rock US banks.

The call to repeal Obama's healthcare reforms places Trump more squarely in the Republican mainstream, although he announced after the election that he would consider keeping key elements of the reforms. During the campaign, he blamed the Affordable Care Act for

raising costs and limiting choices, and called on Congress to implement new measures to make healthcare more accessible and affordable. His own proposals to expand the tax benefits of health savings accounts and to require price transparency from healthcare providers seem more incremental than comprehensive.

International implications

The potential consequences of Trump's policies for the global economy remain murky at best. His ideas are underpinned by a mercantilist focus on trade deficits and a list of extreme retaliatory measures designed to redress past deals that he insists largely failed to protect American workers from the loss of countless factories and manufacturing jobs. His main target is China, which he proposes formally labelling a currency manipulator and threatening with countervailing duties until it changes its behaviour. Trump also promises to confront China over intellectual property theft and illegal export subsidies. For further leverage he proposes, somewhat incongruously, cutting corporate taxes in order to make the US a more attractive place to invest than China; and bolstering the American naval presence in the South China Sea. He also proposes reducing the national debt, so that China is less able to use its Treasury bond holdings to 'blackmail' the US. While many of these measures seem unlikely to pass Congress, the president has authority to impose tariffs of up to 15 per cent for 150 days in case of an 'emergency'. Merely proposing such tariffs could trigger significant retaliation from China, set off a rush to sell Treasury bonds before China sells its own holdings, and deal a substantial blow to global trade.

Interestingly, while the harsh anti-trade rhetoric during the campaign appears to have driven down public support for trade deals, some 47 per cent of registered voters still approved of free-trade agreements as of March 2016 (compared with 53 per cent a year earlier). Perhaps more interesting, the shift appears to have been driven almost entirely by a decline in Republican support for free trade, registering at just 38 per cent compared with 56 per cent of Democrats.⁵¹ Trump officially announced the US would withdraw from the Trans-Pacific Partnership (TPP), the most important element of President Obama's international economic agenda, just a day after a meeting of TPP leaders in Peru. But traditional Republican leaders may resist his policies more openly if Trump attempts to take a significantly protectionist turn.

⁴⁹ DonaldJTrump.com (2016), 'Immigration reform that will make America great again', <https://www.donaldjtrump.com/positions/immigration-reform> (accessed 6 Jun. 2016).

⁵⁰ Batalova, J. and Zong, J. (2016), 'Frequently Requested Statistics on Immigrants and Immigration in the United States', Washington, DC: Migration Policy Institute, 14 April 2016, <http://www.migrationpolicy.org/article/frequently-requested-statistics-immigrants-and-immigration-united-states> (accessed 6 Jun. 2016).

⁵¹ Pew Research Center (2016), 'Campaign Exposes Fissures Over Issues, Values and How Life Has Changed in the U.S.' (accessed 5 Dec. 2016).

Meanwhile, Trump's penchant for direct and confrontational rhetoric may have important consequences of its own, especially for cooperative international economic initiatives like the G20, the Asia-Pacific Economic Cooperation (APEC) discussions, or the Summit of the Americas. Under extreme scenarios, these consultative mechanisms to support balanced growth and coordinate financial market regulation could turn much more acrimonious or break down entirely. Any new threat to global financial stability may be much more difficult to manage under Trump. While initial investor reaction to his victory was positive, the very unpredictability on which he prides himself could unsettle global financial markets at a time of weakening economic growth almost everywhere outside the US.

Conclusion

The Trump presidency promises significant departures from the Obama administration and also from many elements of traditional Republican ideology. The consequences of his ideas on taxes, healthcare, immigration and trade are difficult enough to project, but they will clearly go a long way to refocusing the economic debate. Tax cuts and deregulation may offer the US economy some initial support. Nevertheless, pressing for substantial revisions to economic relations with China and Mexico may lead financial markets to price in the greater constraints on world trade and weaker global growth.

Perhaps the most reassuring thought for those outside the US trying to assess sharp potential departures in policy is that the president will still be constrained by the vagaries of Congress, the volatility of financial markets and the relentless forces of the global economy.

4. Trade

Miriam Sapiro

Key points

- Trade policy has become a target of US voters frustrated with stagnant wages and growing economic inequality. The populist opposition to trade agreements that emerged during the presidential campaign is serious and reveals deeper anxieties about economic insecurity.
- Donald Trump has taken a tough stance on several trade issues, including planning to withdraw the US from the Trans-Pacific Partnership (TPP) and strengthen US enforcement of other countries' trade obligations. But protectionist policies are likely to backfire by making imports more expensive for US manufacturers and consumers, and by inviting retaliatory tariffs that would render US exports less competitive. The result would be not just a weaker US economy, but also a weaker global one.
- Trump has said that he is not against all trade agreements, and that he will focus more on bilateral initiatives than regional or multilateral trade and investment deals. As he transitions from campaigning to governing, however, he and his team may reassess their views on certain issues. They may realize, for example, that China is likely to be the country that benefits the most from the continued stalemate over the TPP.

The 2016 race for the White House had serious populist and nationalistic overtones. The phenomenon is not unique to the US. Populism and nationalism are also sweeping across Europe – in the UK, France, Germany, Hungary and elsewhere. Politicians have tapped into the growing anger and frustration that voters feel towards governments, which they blame for diminishing economic opportunities, rising security threats and other concerns. In the US, trade policy has become one of the targets of this disaffection – and Donald Trump's campaign was notable for his criticism of existing trade policy and promises to change it radically.

Notwithstanding campaign claims, the trade agenda pursued over the years by Democratic and Republican administrations alike has had a largely positive impact on domestic economic growth and job creation. It has become easy, however, to blame trade policy for other shortcomings. These include an insufficient social safety net and inadequate retraining opportunities for those who have

lost their jobs due to globalization and advances in technology. This raises questions about the extent to which the Trump administration can – and will want to – address these and broader problems that have led to stagnant wages and widening income inequality for American workers.

Other factors have also helped to keep the spotlight on trade. In October 2015 the US finished negotiations on a major new trade pact, the Trans-Pacific Partnership (TPP), with 11 other Pacific Rim countries, just as the primary campaign season was heating up. One reason why the TPP is controversial is that its participants include Vietnam and Malaysia, which offer commercial opportunities for US businesses but are also the object of concerns over labour practices and human rights. In addition, it is often easier – and politically expedient – to point to specific manufacturing operations moving overseas or to jobs lost due to a plant closing than it is to highlight overall gains from trade, which are more widespread.

Although trade featured prominently in the campaign, it still ranks near the bottom of voters' concerns relative to other issues, such as terrorism.⁵² However, while data on the election results will continue to be pored over and debated for a long time, it appears that trade issues may have affected the race in a few pivotal states. For instance, Pennsylvania and Ohio, where workers in the steel, coal and other industries have faced stiff competition from abroad, gave 38 electoral college votes to Trump. Had Hillary Clinton won them, those two states alone could have tipped the balance of the electoral college in her favour.

Background

The US economy has enjoyed stronger growth than that of many countries over the past few years, although President Barack Obama has received relatively little credit from the public for this achievement.⁵³ He took office in 2009 at the height of the global financial crisis, and his administration's efforts helped to keep a serious recession from turning into a depression. Under Obama's watch, the economy has returned to growth, expanding at its fastest rate in two years in the third quarter of 2016.⁵⁴ In addition, the unemployment rate has dropped by more than half since 2009, to under 5 per cent (although concerns about underemployment persist), there have been 75 consecutive

⁵² Stokes, B. (2016), 'Election 2016: How Americans See Domestic and Foreign Policy Issues', Pew Research Center, 28 June 2016, <https://www.chathamhouse.org/event/americas-place-world-domestic-perceptions-influencing-election> (accessed 19 Aug. 2016).

⁵³ Krugman, P. (2016), 'A Pause That Distresses', *New York Times*, 6 June 2016, <http://www.nytimes.com/2016/06/06/opinion/a-pause-that-distresses.html> (accessed 12 Jul. 2016).

⁵⁴ Bureau of Economic Analysis (2016), 'Gross Domestic Product: Third Quarter 2016 (Third Estimate)', 22 December 2016, <https://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm> (accessed 24 Dec. 2016).

months of job creation,⁵⁵ and the federal budget deficit has shrunk by almost 60 per cent in absolute size – falling from \$1.4 trillion (9.8 per cent of GDP) in 2009 to \$587 billion (3.2 per cent of GDP) in 2016.⁵⁶

Despite the improved economy, many Americans remain worried by stagnant wages and the impact this has on their ability to provide for their families. In a survey by the Federal Reserve Board, 46 per cent of adults said that they either could not cover a \$400 emergency expense or could cover it only 'by selling something or borrowing money'.⁵⁷ Today more than 20 per cent of American children live in poverty.⁵⁸ The US education system, once the envy of the world, lags behind its counterparts in many countries. Too many graduating students are saddled with onerous debt. The tax system rewards the wealthiest who know their way around its loopholes, while infrastructure is crumbling. The federal Trade Adjustment Assistance Program was renewed but is underfunded. The government has yet to figure out how to offer a more effective social safety net and better retraining opportunities to those whose jobs have been displaced by trade or lost because of advances in technology and productivity.

It is tempting to blame trade policy in general and trade agreements in particular for job losses, downward pressure on wages and the increasing wealth gap, but that view overlooks key changes in the economy. While the US remains a 'manufacturing powerhouse from the point of view of production ... it simply does not take that many workers to produce the output'.⁵⁹ Studies that have looked at job losses in the context of trade agreements have found that such causality is not clear, and that the decision to negotiate a trade agreement has little impact on the forces of globalization and technological change already in play.⁶⁰ The 1994 North

American Free Trade Agreement (NAFTA), for example, is routinely criticized for hurting US jobs. Although it failed to live up to some rosy projections, economists have found its impact on job losses to have been negligible.⁶¹ One study highlighted that in the seven years after NAFTA's passage nearly 17 million jobs were added to the economy and the unemployment rate fell from 6.9 to 4.0 per cent.⁶² Today trade constitutes about 30 per cent of the economy and supports about 41 million jobs, which is one out of every five jobs.⁶³

Some of Trump's policy proposals resemble key elements of Obama's agenda and Clinton's platform, including stricter enforcement of trade violations by China and other countries by using available WTO and domestic remedies.

Trade agreements, if they embrace enforceable high standards, are essential to reducing the barriers that otherwise prevent or restrict US goods and services from entering foreign markets. Since America's economy is relatively open, trading partners seeking access to the US market typically face fewer barriers to entry than US exporters encounter overseas. A trade agreement can therefore help US companies and workers compete on a more equal footing, leading to increased exports of goods and services, and thus more jobs. Indeed, if oil is excluded, the US enjoys an aggregate trade surplus in manufactured goods with the 20 countries with which it currently has a trade agreement.⁶⁴ The Department of Commerce estimates that every additional \$1 billion in exports supports nearly 6,000 jobs, and that these export-related jobs pay on average 18 per cent more than others.⁶⁵

⁵⁵ Bureau of Labor Statistics (2017), 'Employment Situation Summary', 6 January 2017, <https://www.bls.gov/news.release/empsit.nr0.htm> (accessed 10 Jan. 2017); Bureau of Labor Statistics (2016), 'Graphics for Economic News Releases: Civilian unemployment rate', <https://www.bls.gov/charts/employment-situation/civilian-unemployment-rate.htm#> (accessed 24 Dec. 2016); Furman, J. (2017), 'Eight Years of Labor Market Progress and the Employment Situation in December', White House blog, 6 January 2017, <https://www.whitehouse.gov/blog/2017/01/06/eight-years-labor-market-progress-and-employment-situation-december> (accessed 10 Jan. 2017).

⁵⁶ Congressional Budget Office (2016), 'Monthly Budget Review: Summary for Fiscal Year 2016', 7 November 2016, <https://www.cbo.gov/publication/52152> (accessed 12 Jan. 2017); Congressional Budget Office (2016), 'Budget and Economic Data', <https://www.cbo.gov/sites/default/files/51134-2016-03-HistoricalBudgetData.xlsx> (accessed 24 Dec. 2016).

⁵⁷ Dodini, S., Larrimore, J. and Thomas, L. (2016), *Report on the Economic Well-Being of U.S. Households in 2015*, Board of Governors of the Federal Reserve System, <http://www.federalreserve.gov/2015-report-economic-well-being-us-households-201605.pdf> (accessed 12 Jul. 2016).

⁵⁸ Brown, E. (2015), 'More than 1 in 5 U.S. children are (still) living in poverty', *Washington Post*, 24 September 2015, https://www.washingtonpost.com/news/education/wp/2015/09/24/more-than-1-in-5-u-s-children-are-still-living-in-poverty/?utm_term=.a4bc008b5f08 (accessed 16 Jan. 2017).

⁵⁹ Dollar, D. (2016), 'Trump and China', Brookings Institution, 30 June 2016, <https://www.brookings.edu/blog/order-from-chaos/2016/06/30/trump-and-china/> (accessed 12 Jul. 2016).

⁶⁰ Dadush, U., Dervijs, K., Milsom, S. and Stancil, B. (2012), *Inequality in America: Facts, Trends and International Perspectives*, Washington, DC: Brookings Institution, <https://www.brookings.edu/book/inequality-in-america/> (accessed 12 Jul. 2016).

⁶¹ Judis, J. (2008), 'Trade Secrets, The Real Problem with NAFTA', Carnegie Endowment for International Peace, 9 April 2008, <http://carnegieendowment.org/2008/04/08/trade-secrets-real-problem-with-nafta-pub-20009> (accessed 19 Aug. 2016).

⁶² Hufbauer, G. C., Cimino, C. and Moran, T. (2014), *NAFTA at 20: Misleading Charges and Positive Achievements*, Washington, DC: Peterson Institute for International Economics, <http://www.piie.com/publications/pb/pb14-13.pdf> (accessed 12 Jul. 2016).

⁶³ Yergin, D. (2016), 'Markets Run Into Scepticism – and Regulators', *Wall Street Journal*, 18 July 2016, <http://www.wsj.com/articles/markets-run-into-skepticism-and-regulators-1468884200> (accessed 23 Aug. 2016).

⁶⁴ US International Trade Administration (2016), 'FTA Partners – Total Goods', http://www.trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_003368.pdf (accessed 12 Jul. 2016).

⁶⁵ US Department of Commerce (2015), 'U.S. Exports Support a Record 11.7 Million Jobs in 2014', 4 March 2015, <https://www.commerce.gov/news/press-releases/2015/03/us-exports-support-record-117-million-jobs-2014> (accessed 12 Jul. 2016).

After Obama won re-election in 2012, trade was one of a handful of issues on which prospects for bipartisan cooperation seemed promising. He had already decided to advance the TPP negotiations begun under President George W. Bush with Brunei, Chile, Singapore and New Zealand. He expanded them to include other countries – initially Australia, Peru, Vietnam and Malaysia, and later Canada, Mexico and Japan. In 2013, the administration also launched a major trade negotiation with the EU to create the Transatlantic Trade and Investment Partnership (TTIP). President Obama had viewed the conclusion and passage of TTIP and the TPP as critical to placing the US in the enviable centre of two powerful trading blocs. Both agreements, however, were running into headwinds even before Trump's win. Afterwards, Congress was even more adamant in refusing to advance approval of the TPP during its 'lame duck' session. In addition, the US and the EU failed to make sufficient progress towards an agreement in principle on TTIP before the end of 2016.

Trump's policies

While Trump has said he favours free trade, he has also said he is opposed to several US trade agreements. He has argued that they were negotiated by inept officials and have resulted in job losses for Americans. During the campaign he promised to withdraw the US from the TPP, identify and remedy every violation of a trade agreement, renegotiate or withdraw the US from NAFTA, label China a currency manipulator, address unfair trade practices by China by invoking domestic and World Trade Organization (WTO) remedies, and impose tariff or other measures on China if it fails to comply with US demands.⁶⁶ More recently, he outlined a series of executive orders to take on 'day one' as part of an agenda to 'put America first', including a notification of intent to withdraw from the TPP.⁶⁷ More specifically, he has threatened to impose tariffs of up to 45 per cent on Chinese and Mexican imports and to punish US companies that relocate their manufacturing operations overseas. When asked in an interview if the WTO's rules permitted punitive tariffs, he replied that he would

renegotiate membership or pull out of the organization if it interfered with his plans.⁶⁸

Closer scrutiny of several of Trump's proposals, however, suggests some positions more similar to, rather than different from, those taken by the Obama administration or by Hillary Clinton during her campaign, including stricter enforcement of trade violations by China and other countries by using available WTO and domestic remedies. He has stated that 'for free trade to bring prosperity to America, it must also be fair trade', which is a concept drawn more from the traditional Democratic Party agenda than the Republican playbook.⁶⁹ Like Clinton, Trump expressed concern about past Chinese currency manipulation. He has stated that China is 'behaving very, very badly' by devaluing its currency, and has promised that 'China will behave and China will be our friend' under his administration.⁷⁰ Trump's concerns with NAFTA are reminiscent of calls by Clinton and Obama to improve the agreement, although he goes further by threatening to withdraw from it. In this regard, however, he may prefer to update rather than abandon it once he sees the degree to which the economies of Canada, Mexico and the US are intertwined.

In reflecting traditionally Democratic concerns about free trade, Trump has contradicted Republican orthodoxy and his own actions over the years. As one observer notes: '[Trump's] most substantive break with traditional Republican ideology ... has been his unremitting and unapologetic attack on free trade ... Protectionism was a staple of American politics in the nineteenth and early twentieth centuries, but in the postwar era support for free trade has been one of the bipartisan pillars of American economic policy.'⁷¹ His departures on trade policy have already created varying degrees of consternation among Republican free-traders in the House of Representatives and Senate. Trump's campaign statements also suggest a break with his own past, with another observer noting that 'such declarations are at odds with Mr. Trump's long history as a businessman, in which he has been heavily – and proudly – reliant on foreign labor' to staff his operations in the US and to manufacture his products in China and elsewhere.⁷²

⁶⁶ Politico (2016), 'Full transcript: Donald Trump's jobs plan speech', 28 June 2016, <http://www.politico.com/story/2016/06/full-transcript-trump-job-plan-speech-224891#ixzz4DOWz6X1S> (accessed 12 Jul. 2016).

⁶⁷ Transition 2017 (2016), 'A Message from President-Elect Donald J. Trump', YouTube, 21 November 2016, https://www.youtube.com/watch?v=7xX_KaStFT8 (accessed 20 Dec. 2016).

⁶⁸ Dyer, G. (2016), 'Donald Trump threatens to pull US out of WTO', *Financial Times*, 24 July 2016, <https://www.ft.com/content/d97b97ba-51d8-11e6-9664-e0bdc13c3bef> (accessed 20 Dec. 2016).

⁶⁹ DonaldJTrump.com (2016), 'Reforming the U.S.-China Trade Relationship to Make America Great Again', <https://www.donaldjtrump.com/positions/us-china-trade-reform> (accessed 12 Jul. 2016).

⁷⁰ Zezima, K. (2016), 'Trump: "Who the hell cares if there's a trade war?"', *Washington Post*, 20 May 2016, <https://www.washingtonpost.com/news/post-politics/wp/2016/05/20/trump-who-the-hell-cares-if-theres-a-trade-war/> (accessed 12 Jul. 2016).

⁷¹ Surowiecki, J. (2016), 'Donald Trump's Case for Higher Prices', *New Yorker*, 1 July 2016, <http://www.newyorker.com/business/currency/donald-trumps-case-for-higher-prices> (accessed 12 Jul. 2016).

⁷² Rappeport, A. (2016), 'Donald Trump Has Long Benefited From Trade Practices He Now Scorns', *New York Times*, 30 June 2016, http://www.nytimes.com/2016/07/01/us/politics/donald-trump-trade.html?_r=0 (accessed 12 Jul. 2016).

Trump's corrective prescription for a stronger trade policy in general is the negotiation of 'great trade deals' to bring jobs back to America, but he has so far offered few specifics on how he would do that. One recommendation he has made is to return to an emphasis on import tariffs rather than taxes. This notion was embraced in the early days of the republic in very different circumstances, and has been discredited since the devastating 1930 Smoot-Hawley Tariff Act. Such a prescription ignores the regressive impact that higher tariffs would have on American workers, especially poorer families, and would reinforce an already inequitable tax code.

One study suggested that Trump's campaign proposals would also lead to a more isolated US economy and a lengthy recession. It predicts a rise in unemployment; decreased cross-border trade; cuts in investment, personal and corporate tax; and a larger federal government deficit and debt load.⁷³ A trade-induced slowdown in the US economy would of course have ripple effects across the global economy.

The degree to which Trump may carry out some or even all of his threats is still unclear, and those that may be harmed by such actions – for example, US trading partners and US or foreign companies – need to be well prepared for such scenarios.

Trump will certainly be more unpredictable than other US presidents on trade, as well as on other issues. The degree to which he may carry out some or even all of his threats is still unclear, and those that may be harmed by such actions – for example, US trading partners and US or foreign companies – need to be well prepared for such scenarios.

Trump has softened other campaign promises, though, and his tough stance on trade might be modified as he transitions from campaigning to governing and becomes responsible for export and job growth. As he assumes power, he may grow concerned that slapping tariffs of up to 45 per cent on China and Mexico could, in the short term, lead to higher consumer prices and retribution against US exports. Over the longer term, such a policy could lead to 'trade diversion', as countries in Southeast Asia or Latin America with lower labour costs simply picked up the slack and substituted their own exports for goods that the US had previously imported from China or Mexico. In any

event, additional resources are expected to be devoted to the enforcement of existing trade obligations, and in particular to greater scrutiny of China's actions.

International implications

Trade policies adopted by the Trump administration will have a significant impact on the US and the global economy. Actions in the coming months will signal to partners in Asia and Europe how the US will engage with them to address common economic and strategic challenges. They should be ready for tougher policies that set an even higher bar for any new bilateral or other trade and investment agreements. US negotiators will focus on which aspects of such agreements might lead to greater market opportunities for US companies and workers while trying to address Trump's concerns, for example by proposing measures to combat currency manipulation. Any efforts by countries to adjust their currencies to gain an unfair competitive advantage – by making their exports less expensive than comparable goods from the US – will certainly be met with a stern response.

The TPP is likely to be one of the first issues to be addressed in some manner. There is widespread concern and dismay among the TPP partners that the US is abdicating its economic leadership role in Asia. Supporters of the agreement point to the economic losses suffered by the US as a result of currently high tariffs on its exports to Asia. They also note the damage to US influence and credibility in the region at a challenging time when China feels both threatened and emboldened. Indeed, China is the only country that benefits from a stalemate over the TPP. It has been happily forging ahead to finalize its own, far less ambitious, regional trade agreement – called the Regional Comprehensive Economic Partnership (RCEP) – with several important US trading partners.

Some members of the incoming administration, such as Commerce Secretary-designate Wilbur Ross, who once praised the TPP agreement but has since called it a 'horrible deal', have just begun to articulate their concerns.⁷⁴ As Trump puts together his new team – in addition to Ross it includes long-time trade attorney Bob Lighthizer as US Trade Representative and China critic Peter Navarro as head of a new National Trade Council – the interesting question will be precisely what it is that they do not like about the TPP. Ross, for example, has characterized the rules of origin as 'terrible'.⁷⁵ It would be logical for the new team to undertake

⁷³ Zandi, M., Lafakis, C., White, D. and Ozimek, A. (2016), *The Macroeconomic Consequences of Mr. Trump's Economic Policies*, Moody's Analytics, <https://www.economy.com/mark-zandi/documents/2016-06-17-Trumps-Economic-Policies.pdf> (accessed 12 Jul. 2016).

⁷⁴ Amini, M. (2016), 'Trump Cabinet picks: Ross and Mnuchin's [sic] exclusive interview with CNBC's 'Squawk Box'', CNBC, 30 November 2016, <http://www.cnbc.com/2016/11/30/trump-cabinet-picks-ross-and-mnuchin-exclusive-interview-with-cnbc.html> (accessed 20 Dec. 2016).

⁷⁵ Ibid.

a period of review so that they can assess whether there are aspects of the agreement – such as strong digital rules of the road or enforceable labour provisions – that they support, and others that they believe might be improved. Given Trump's faith in his negotiating skills, it will be important to see if these are issues that the other parties are interested in working to resolve. Of course Trump could be basing some of his concern about the TPP on fears that China may try to join the agreement later. It would likely be many years, however, before China might stand a chance of persuading all 12 members that it meets the high standards of the agreement.

While Trump has professed a preference for bilateral trade deals instead of regional ones, the former approach would have several disadvantages. Negotiating 11 individual deals would be harder than reaching a single one, even one as complex as the TPP. Furthermore, if successful, the result would be nearly a dozen rather different sets of trade rules, which is hardly a recipe for economic success.

Negotiating changes to the TPP of course would be far from easy, but it would be preferable to abandoning the agreement. In addition to its economic and geostrategic benefits, by including Canada and Mexico it also updates NAFTA. Some observers may point to the precedent of the Obama administration, which successfully addressed problems with the trade agreements with South Korea, Colombia and Panama that it had inherited from the Bush administration, despite earlier scepticism. But those were bilateral agreements, whereas the TPP involves many other countries, whose negotiators may not all jump at the chance to reopen it.

President Trump will also have to address the fate of TTIP. The US and the European Commission failed to reach at least an agreement in principle by the end of 2016, as they had sought. Several significant issues are still outstanding, including agriculture, geographical indications, government procurement and investment. The negotiations have been complicated by the decision of the UK to leave the EU. In addition to losing the UK's strong voice in

support of trade liberalization, the EU will have much of its internal focus over the coming months on the question of terms for the UK's departure. TTIP has been further thrown into question by the difficulty the EU had recently in persuading the Belgian region of Wallonia – which has less than 1 per cent of the population of the EU – to support its trade agreement with Canada. Given that presidential and parliamentary elections will be held in France and Germany this year, it is not clear if the EU will decide to have another go at TTIP. If it does, it will need to develop arguments to persuade the new US administration that a deal is possible. The Trump team may well be more interested in discussing a bilateral trade agreement with the UK once the terms of 'Brexit' are clearer, even if it takes considerable time to clarify that situation.

If the US pulls back from regional or global trade deals under President Trump, it will no longer be at the centre of efforts to forge more liberalized trading rules and higher, enforceable standards. This will leave a void that is unlikely to be filled. The EU is preoccupied with internal divisions and external challenges. Japan is unlikely to play such a role, for a variety of reasons. As noted, a leadership vacuum would play into the hands of China, which has long held suspicions that the TPP is directed against it, and which seeks to play a greater economic and strategic role in the Pacific.

There is of course a chance that Trump may choose to temper his more populist campaign statements with recognition that the US represents less than 5 per cent of the world's population and has a thriving economy highly dependent on trade. Given his strong support among trade sceptics in the US, he might in fact be able to work with a cross-section of stakeholders to help create a new paradigm for trade policy that can attract greater public support than exists today. This would take time, and in the interim the significant uncertainty surrounding his policies will not help US and global companies and workers, whose ability to compete effectively depends upon clear rules guiding international trade and investment.

5. Energy and Climate Change

Sarah O. Ladislaw

Key points

- Donald Trump campaigned on an ‘America First Energy Plan’ that dismisses the significance of climate change and embraces further exploitation of domestic energy resources. The plan emphasizes coal, oil and natural gas, and focuses on rolling back government regulation that impedes resource extraction.
- On the campaign trail Trump pledged to withdraw the US from the 2015 Paris climate agreement, and to roll back many of the underlying regulations that would have reduced US emissions in accordance with its national commitments to that agreement. Other countries will need to assess how important climate change is in their overarching agenda with the US. Even if Trump moderates his campaign promises, a less obstructive approach would still mean that the US, the world’s second-largest emitter of carbon, falls far short of the ambitious action required to meet global climate targets.
- Early indications of Trump’s energy policy may come from how the issue is considered in the context of other large policies that the administration and Republican leadership in Congress prioritize – such as a large jobs and infrastructure bill and possible tax reform.

Energy did not feature prominently in the 2016 presidential election campaign, due in part to low energy prices, but Donald Trump did put forward a largely pro-production and anti-regulation energy platform. How this platform will be converted into a policy and regulatory agenda for his administration remains unclear, perhaps more so than with previous presidents, because Trump has no governing history or experience and was elected on a mandate to change the system.

In order to evaluate what US energy policy might look like during his presidency – both domestically and in terms of its implications for the US’s international energy relations and climate commitments – it is important to consider several issues. How will the energy agenda rank among other administration priorities? How much does the campaign platform match what the eventual policies or actions will be? How much effort is required to enact the agenda? What is the desired outcome of the agenda, and can the policies or regulations achieve those goals? Finally, what other issues might arise domestically and internationally that will shape trade, tax, foreign, security or environmental policies in a way that materially affects the administration’s engagement on energy?

Very few of these issues can be answered at this stage. The unconventional nature of the candidate means that it may be unwise to use precedent or conventional wisdom as a guide. Yet given the influence that the US has on the global energy policy agenda and many energy market dynamics, as well as the remarkable amount of ongoing change in the US energy landscape, the transition to a new administration will almost certainly have wide-reaching international implications.

Background

The US is a large producer, consumer and trader of energy resources. Its actions can directly or indirectly affect energy markets around the world. It is also the world’s largest economy and one of the largest emitters of greenhouse gases, all of which gives it a particular standing and responsibility within the realm of global climate change objectives.

The changes taking place in the US energy landscape are remarkable. One of the most notable over the last several years has been the surge in production of oil and natural gas from tight rock and shale formations through a combination of hydraulic fracturing and horizontal drilling. Between 2008 and 2015, domestic oil production rose by 88 per cent and natural gas production climbed by 36 per cent.⁷⁶ Even since the sharp decline in oil prices that began in mid-2014, US oil and gas production has proven remarkably resilient, declining far more slowly than many predicted. The strength of supply has arguably provided the US with a new type of resource that raises questions about the future of market price levels and volatility, public and private investment decisions throughout the value chain, OPEC cohesion and overall supply security.

As a result of the production surge, for the first time in 40 years the US no longer bans the export of crude oil. It has approved and built liquefied natural gas export facilities, and has started to pursue new exporting opportunities in oil and gas. Despite the clear near-term economic (and some strategic) benefits provided by increased oil and gas production, states and local communities are having also to address the pressing environmental concerns associated with development of these resources and the related infrastructure (such as pipelines or refineries). Many of the battles taking place at the state and local levels are over a mix of environmental concerns about potential water contamination, air quality issues and seismicity, but others are tied into the broader effort to stop all production of oil and gas known as the ‘Keep it in the Ground’ movement. While

⁷⁶ US Energy Information Administration (EIA) (2016), ‘Crude Oil Production’, 30 December 2016, http://www.eia.gov/dnav/pet/pet_crd_crpdn_adc_mbbldpd_a.htm (accessed 16 Jan. 2017); EIA (2016), ‘Natural Gas Gross Withdrawals and Production’, 30 December 2016, http://www.eia.gov/dnav/ng/ng_prod_sum_a_EPG0_VGM_mmcf_a.htm (accessed 16 Jan. 2017).

these environmental concerns receive a good deal of national and international attention, and featured prominently in the presidential election, the low-oil-price environment has done far more to dampen oil and gas production thus far.

The electric power sector is also experiencing upheaval. As a result of improved efficiency, low electricity demand, environmental policies, renewable-energy cost improvements and incentives, and the rapid influx of cheap natural gas, many regional and local electric power markets in the US are struggling to manage the dynamic changes occurring in their regions. Since 2012, nearly 44 GW⁷⁷ of coal-fired power has been retired, and according to some estimates nearly 90 GW more will be retired by 2040.⁷⁸ Eight nuclear reactors have closed prematurely due to their inability to cover operating costs, and by some estimates 15 to 20 more could close over the next five to 10 years.⁷⁹ Wind and solar capacity grew by more than 100 per cent and 900 per cent, respectively, between 2009 and 2015.⁸⁰ The penetration of distributed energy resources is expected to grow by 77.3 GW between 2016 and 2025,⁸¹ which has the potential to transform the physical, economic and regulatory underpinnings of the electric power sector.

The US has reduced its carbon dioxide emissions by 12 per cent below 2005 levels,⁸² and has committed itself to an international agreement to further reduce greenhouse gas emissions by 26–28 per cent below 2005 levels by 2025. The Obama administration put together policies and measures under its Climate Action Plan that included light- and heavy-duty vehicle emissions standards, as well as regulation of carbon dioxide emissions in the electric power sector under the Clean Power Plan (which is currently subject to legal challenges likely to go to the Supreme Court). In addition, large states like California and New York have proposed much deeper emissions reductions than the federal government's, including a bill recently passed by the California legislature supporting a reduction of 40 per cent compared to 1990 levels by 2030.⁸³ Twenty states have emissions reduction targets, and nearly 30 have renewable or alternative portfolio standards for their electric power sectors.⁸⁴

The US is more energy self-reliant today than it has been in decades, and yet it is intimately intertwined with global energy markets. It also plays a leadership role in many of the global norm-setting institutions related to energy. US energy policy can therefore have an outsized influence on the market and policy direction of other countries. The role of policy has its limitations, however. The global energy system is vast and made up of long-lived and capital-intensive infrastructure. It does not transform quickly and can thwart even the most adept policymaker's best-laid plans. Many past US administrations made their most consequential energy decisions in response to unforeseen events and developments.

It is impossible to predict with confidence what will confront the Trump administration in the energy sphere. For example, during the 2008 campaign the Obama team could not have expected to deal with an oil spill in the Gulf of Mexico, a nuclear disaster in Japan and a domestic hydrocarbon renaissance at the same time as a global recession. With global oil markets still just entering a potentially prolonged and tenuous period of rebalancing, and after nearly two years of underinvestment in global oil and gas production, the outlook for oil markets remains uncertain. Energy security issues could also emerge from any of several countries, including Venezuela, Nigeria and Libya, that are struggling to withstand sustained low oil prices. There might also be notable technological advancements or climate negotiation tactics in the next four years that could ultimately shape the Trump administration's policies. With so many apparent unknowns, it is important to consider the US policy agenda as an ongoing negotiating position against which decisions about priorities and trade-offs will be made over the course of the administration.

Trump's policies

Trump campaigned on an 'America First Energy Plan' that called for developing domestic energy resources – with an emphasis on coal, oil and natural gas – and focused on rolling back government regulation. He explicitly downplayed the importance of climate change but recognized the importance of clean air and water.

⁷⁷ EIA (2016), *Preliminary Monthly Electric Generator Inventory*, September 2016, <http://www.eia.gov/electricity/data.cfm> (accessed 7 Oct. 2016).

⁷⁸ EIA (2015), 'Proposed Clean Power Plan Would Accelerate Renewable Additions and Coal Plant Retirement', 5 June 2015, <http://www.eia.gov/todayinenergy/detail.cfm?id=21532> (accessed 7 Oct. 2016).

⁷⁹ Fertel, M. S. (2016), 'Wake-Up Call, Improving the Economics of America's Nuclear Reactors', Speech, Department of Energy Nuclear Summit, 19 May 2016, <http://www.nei.org/News-Media/Speeches/Wake-Up-Call,-Improving-the-Economics-of-America-s> (accessed 7 Oct. 2016).

⁸⁰ Statistical and Analytical Agency, EIA (2016), *Wind and Solar Data and Projections from the U.S. Energy Information Administration: Past Performance and Ongoing Enhancements*, March 2016, <http://www.eia.gov/forecasts/aeo/supplement/renewable/pdf/projections.pdf> (accessed 7 Oct. 2016).

⁸¹ Navigant Research (2016), 'U.S. Distributed Renewables Deployment Forecast', <http://www.navigantresearch.com/research/u-s-distributed-renewables-deployment-forecast> (accessed 7 Oct. 2016).

⁸² EIA (2016), 'U.S. Energy-related Carbon Dioxide Emissions in 2015 Are 12% below Their 2005 Levels', 9 May 2016, <http://www.eia.gov/todayinenergy/detail.php?id=26152> (accessed 7 Oct. 2016).

⁸³ Megerian, C. and Dillon, L. (2016), 'Gov. Brown Signs Sweeping Legislation to Combat Climate Change', *Los Angeles Times*, 8 September 2016, <http://www.latimes.com/politics/la-pol-ca-jerry-brown-signs-climate-laws-20160908-snap-story.html> (accessed 7 Oct. 2016).

⁸⁴ C2ES (2016), 'Greenhouse Gas Emissions Targets', <http://www.c2es.org/us-states-regions/policy-maps/emissions-targets> (accessed 7 Oct. 2016).

Much like other elements of his platform, Trump's proposals are cast from the perspective of how energy can help to achieve his central goal to 'make America great again'. He has expressed doubt that climate change is real, and the policies that he has set out indicate he does not see much of a need to address it. From his statements, Trump appears to view energy as a means to grow and strengthen the economy, as well as to gain some degree of economic and foreign policy advantage over other countries, including China and members of OPEC. Key elements of his plan include becoming energy-independent, using revenue from energy production to rebuild infrastructure and in so doing create jobs for American workers, using inexpensive energy to boost agriculture, and removing regulations that are bad for workers.⁸⁵ It is hard to see how Trump can fully achieve some of these goals, or even what successful implementation would look like. He may pledge to make the US energy-independent (a goal much more attainable in terms of overall energy self-sufficiency than ever before) or to bring back the coal industry, but it is unclear that he will have the leverage over global market forces to make progress towards these goals, even with regulations removed and incentives provided. It is also unclear what the definition for success would be for either of these goals, and quite possible that something far less than a literal interpretation of their meaning will satisfy the voters who were in favour of these policies.

Trump's energy platform implies a familiar Republican theme of a smaller role for, or a less interventionist, government. It also seems to reject the idea that renewable energy resources should be preferred over fossil fuels such as coal, oil and natural gas. On the campaign trail Trump pledged his most specific actions in the area of rolling back policies dealing with climate change in favour of 'real environmental challenges, not phony ones', such as the need for clean and safe water for local communities.⁸⁶ Trump's action plan for his first 100 days in office includes:

- Rescinding all Obama executive actions, including the Climate Action Plan and the Waters of the United States rule;⁸⁷
- Saving the coal industry and other industries;
- Asking Trans Canada to renew its permit application for the Keystone pipeline;
- Lifting moratoriums on energy production in federal areas;
- Revoking policies that impose unwarranted restrictions on new drilling technologies; and

- Cancelling the Paris climate agreement and stopping all US payments to UN global warming programmes.

Broadly speaking, Trump's energy agenda can be divided into three (partly overlapping) categories: pro-production, rolling back regulation, and anti-climate change mitigation. Pro-production policies could include lifting moratoriums on energy production on US federal lands, easing regulation of such activities, and providing tax incentives or levelling the tax playing field for a given source (e.g. removing tax incentives for other energy sources). Tax provisions will require congressional support and likely only come up in the context of a broader tax reform debate.

Key elements of Trump's plan include becoming energy-independent, using revenue from energy production to rebuild infrastructure and in so doing create jobs for American workers, using inexpensive energy to boost agriculture, and removing regulations that are bad for workers. It is hard to see how he can fully achieve some of these goals.

Deregulation policies cover environmental regulations, not safety regulations (such as those governing offshore oil and gas development after the Gulf of Mexico oil spill), though this is often assumed and not explicitly verified. The differences in rhetoric between Democrats and Republicans over the role of government regulation are quite large, and related to the 'big government vs small government' debate that has become a central feature of US politics. This may mean that rolling back regulation will have a higher priority for the Republican administration and even more support from the Republican-controlled Congress. The regulatory process is also, however, one of the most heavily litigated aspects of policymaking and can be long, complicated, drawn out and inconclusive.

As for climate change, again many specifics of potential Trump policies relevant to this issue were not clear at the time of writing, but a variety of actions look possible based on the positions of those involved in the transition and emerging administration staff, as well as on campaign statements minimizing the importance of climate change. These actions could include rolling back the executive orders and regulations that went along with the Climate Action Plan, and cutting funding for climate-related energy research, development and science.

⁸⁵ DonaldJTrump.com (2016), 'An America First Energy Plan', Donald J. Trump For President, 26 May 2016, <https://www.donaldjtrump.com/press-releases/an-america-first-energy-plan> (accessed 7 Oct. 2016).

⁸⁶ Ibid.

⁸⁷ US Environmental Protection Agency (2015), *Clean Water Rule: Definition of "Waters of the United States"*, 29 June 2015, <https://www.epa.gov/sites/production/files/2015-06/documents/epa-hq-ow-2011-0880-20862.pdf> (accessed 17 Oct. 2016).

How possible are all these actions? As a general rule, all executive orders and guidance signed by President Obama can be quickly overturned. Some pending regulations can simply be rescinded if not mandated by court decisions. Finalized regulations not yet in effect can potentially be pulled back or simply not pursued.⁸⁸ This would apply to the Obama administration's proposed methane rule on existing oil and gas sources. Finalized rules facing legal challenges can be remanded, not defended by the Trump administration, or not appealed if the challenges are lost. This would apply to the Clean Power Plan, the hallmark climate regulation from the Obama administration.

Given how little Trump has said about energy and climate policy, and how infrequently it featured in his campaign speeches, it is hard to tell how important these issues are to him and how much priority and political support they will be given in his administration. Early indications of energy policy may come from how the issues are considered in the context of other large issues that the administration and the Republican Congress prioritize, such as a large jobs and infrastructure bill and possible tax reform.

Overall it is difficult to tell what proactive energy policy measures a Trump administration will enact, but it is clear that advancing policies to reduce emissions and deal with climate change is not high on the agenda. Given the effort required to advance the types of policies and investments necessary to reduce emissions, it is safe to assume these will be neglected. As Trump's energy plan also states, regulation will be judged on whether it is good for the American worker. Given the importance of his overarching objective to 'make America great again', there could be a significant jobs focus to his energy policy.

It is also hard to predict how Trump will deal with energy issues outside his existing agenda that may arise during the course of his administration. It is fair to assume that issues such as climate change will not hold a great deal of sway with him, and that global oil market issues will be seen through a much more traditional lens of competitive geopolitics rather than one of shared security. However, Trump has said little about his positions to date and he has virtually no track record in this area to analyse. This, along with evidence that he is able to change his mind on issues very quickly, may mean that his stated positions and apparent preferred issues could change when confronted with unexpected circumstances or opportunities. This is particularly important to consider in the context of how the Trump administration thinks about energy as it pertains to relationships with other countries.

International implications

The US plays a large role in regional and global energy markets, as well as an important leadership role in setting international climate change goals. Major changes in its energy policy – such as the creation of the Strategic Petroleum Reserve in the wake of the Arab oil embargoes in the 1970s, the onset of nuclear power, and more recently the unconventional energy revolution – influence energy markets and policies abroad. Several of the Trump administration's potential areas for action may influence global energy markets and policies.

Climate change is perhaps the area in which the outcome of the US election matters most. On the campaign trail Trump pledged to cancel the Paris climate agreement and roll back many of the underlying regulations that would have reduced US emissions in accordance with that agreement.⁸⁹ Recently, however, he has distanced himself somewhat from these positions with a more speculative stance on the link between human activity and climate change, expressing willingness to keep an open mind on the issue and saying that he is 'going to take a look at' the Paris climate agreement when asked about his promise to pull out of it.⁹⁰ Trump could not unilaterally cancel the agreement, but he could withdraw the US from it, which would undermine the globally coordinated efforts and institutions designed to combat climate change. He could also stop the US from contributing to international climate funds, and either actively oppose or do little to support climate change-related initiatives in other international forums, such as policies and agreements to end state financing for lower-efficiency coal-fired power generation.

At the 22nd Conference of the Parties (COP) in Marrakech, Morocco in November 2016, members of the international community and representatives of over 300 companies reiterated their support for global climate action and encouraged the US to maintain support for it. It is unclear how forcefully or persuasively members of the international community will engage the Trump administration on this issue. In the 2000s Europe played a large and important role in persuading the US to become more active on climate change. Whether it is in the position to take on such a role today given its own political, economic and security challenges is an open question. One can imagine that many of the world's developing economies will be upset with the US backtracking on its climate commitments, particularly with regard to financing, but then again many of them

⁸⁸ Van Ness Feldman LLP (2016), 'How will a Trump Administration Re-Set U.S. Climate Policies?', 11 November 2016, <http://www.vnf.com/how-will-a-trump-administration-re-set-us> (accessed 5 Dec. 2016).

⁸⁹ Even the policies of the Obama administration were not enough to meet the US emissions reduction pledge for 2025; additional action would have been required to meet that goal.

⁹⁰ *New York Times* (2016), 'Donald Trump's New York Times Interview: Full Transcript', 23 November 2016, http://www.nytimes.com/2016/11/23/us/politics/trump-new-york-times-interview-transcript.html?_r=0 (accessed 5 Dec. 2016).

also viewed the commitments as too little relative to the size of the challenge. There will be an opening for China to play a bigger role in shaping the climate agenda in the absence of US action, but whether its leadership style lends itself to coordinating and mobilizing global action to the same extent that the US did over the last eight years is yet to be seen. Canada and Mexico, the partners in the Obama administration's 'Tres Amigos' efforts to advance a North American climate agenda, will need to evaluate how much of their domestic policies related to climate change will dissipate without reciprocal enthusiasm for a low-carbon pathway in the US under a Trump administration.

Just as important is the fact that each of these countries will need to assess how important climate change is in its overarching agenda with the US, especially given all the other security, trade and economic issues that are equally important to evaluate in light of the Trump administration's stances on those issues. It remains to be seen whether international pressure would be enough to moderate a changed US stance on climate change, though even a slightly friendlier US stance towards climate change under Trump would still fall far short of the ambitious action required to meet global targets.

Finally, the Trump administration could pursue policies across a wide range of issues that could affect global energy markets and factor into US relationships with key producing and consuming countries. Oil prices are low and the US feels relatively secure in its energy supply situation, but another key role for any new administration is to consider how it handles global oil market issues, such as responses to a global supply disruption. In such an event, the US will need to work with its international partners to deal with the shortfall and develop strategies for ensuring adequate supply. The Obama administration began to modernize and update the Strategic Petroleum Reserve, the largest government-owned stockpile of crude oil held for the purposes of responding to a supply disruption. The Trump administration will have to continue these efforts to ensure

the reserve can adequately function in the event of a supply disruption. It will also need to be willing to participate in the international system of strategic stock release.

How the US deals with the world's major global oil, gas and coal suppliers also matters. While many of the major producing economies in the Middle East and Eurasia may find it refreshing to engage with an administration that is less climate-focused, it is unclear whether that would outweigh their concerns about the resurgent theme of US energy independence. In some ways, Trump's broader foreign and trade policy will matter more than his energy policy for the international community.

On foreign policy and trade, Trump's campaign statements suggest that his stance will mark an abrupt departure from most current and some long-standing policies. It is extremely hard to tell, though, given his penchant for changing his mind, which declarations were based on real intentions and which were simply meant to garner attention. Moreover, it is reported that Trump's more strident positions from the campaign were not raised in initial conversations with world leaders since the election – though that is to be expected in these circumstances.

The policy areas with the most potential to influence energy markets and the US's energy relationships include the renegotiations of trade agreements such as the North American Free Trade Agreement (NAFTA); a tougher stance towards China on trade; efforts to renegotiate the Iran nuclear deal and/or strengthen sanctions against the country; changes to sanctions against Russia; the reconsideration of treaty alliances and security relationships that significantly enhance regional security and reduce energy trade flow risk; and any change to how the US manages its finances in a way that would undermine its creditworthiness. Within each of these issues there is a great deal of nuance and speculation about whether the actions promised in the campaign will ever materialize in a truly impactful way. This leads to an atmosphere of great uncertainty.

6. China

Xenia Wickett

Key points

- China policy under Donald Trump is likely to be driven more by the search for economic advantage than by a desire to address challenges over security, the environment or human rights. His priority will be to respond to the needs of his domestic constituents, and this will shape his posture towards China.
- Trump's dismissal of the Trans-Pacific Partnership (TPP) has encouraged China to move forward with its own regional trade agreement. Despite his anti-trade rhetoric, he will probably not follow through on his more extreme threats to bring trade cases against China. For America's Asian allies, Trump's rejection of the TPP could lead them into tighter economic relationships with China or with each other.
- Trump has little apparent regard for long-standing alliances or partnerships. If this posture is sustained, it will cause deep unease among the US's allies in Asia and will likely embolden China geopolitically. At the same time, given the constraints of his cabinet and Congress, the incoming president is extremely unlikely to abrogate historical treaties.
- North Korea's nuclear programme and belligerence towards US allies in the region are of major concern. A well-coordinated US–China response could do much to build the relationship between Washington and Beijing, and strengthen the international community's ability to address the North Korean threat. But if coordination is lacking, the reverse is likely.

The relationship with China has been one of the most, if not *the* most, consequential for the US for more than a decade. China is one of the fastest-growing emerging markets, has the world's largest economy in purchasing-power-parity (PPP) terms and its biggest population, and plays an integral role in tackling transnational challenges (such as those in the health and environmental spheres). President Barack Obama, as President George W. Bush before him, recognized that getting the relationship with China right was among his most important foreign policy goals.⁹¹ At the same time, whether US strategy in Asia should be driven by policy towards China or vice versa has been the subject of debate. Ultimately, the two are intrinsically linked. As Obama's 'Asia rebalance' made clear, even when

the US engages with the region as a whole, how it does this is largely influenced by its relationship with China.

While observers focus on the uncertainty surrounding Donald Trump's policy towards Asia, rapid change in the region equally presents considerable challenges for the new US administration. China is central to many of the issues that the US will have to understand and address. Beijing's relationships in the region have been testy for some time, not least as Japan looks to strengthen its security posture. And while China achieved significant leverage internationally as its economy continued to expand through the 2008–09 global financial crisis and recession – aided by a major fiscal stimulus programme – its status as a reliable driver of regional and global growth is now less assured. The country's economic prospects have been complicated by a recent slowdown, by rising domestic challenges stemming from President Xi Jinping's crackdown on corruption, and by continued security, environmental, infrastructure and health challenges.

Background

When Obama ran for office in 2008, the US was in the midst of a financial crisis and China was thought by many to be driving the global economy. The US's economic hegemony appeared to be newly vulnerable, while China's rise was widely viewed as unstoppable. That was the case in China itself, where the crisis was interpreted as evidence of the US's decline in contrast to China's broader rise. This change of perceptions likely contributed to China's more assertive behaviour in Asia and a subsequent deterioration in relations with the US. The relationship between the two countries is in a very different place today, however, with China's economic growth less secure and that of the US strengthening through, among other factors, the energy revolution.

A bipolar 'US versus China' perspective on the region remains prevalent in Asia, but it is becoming increasingly inaccurate as other countries in the region grow in economic and geopolitical importance.⁹² In 2015, India achieved a higher rate of GDP growth than China for the first time since 1999 (although this was facilitated by starting from a lower baseline).⁹³ Japan and India are ramping up their defence capabilities. As a consequence, a wider analytical frame encompassing other actors in addition to the US and China

⁹¹ Goldberg, J. (2016), 'The Obama Doctrine', *Atlantic*, April 2016, <http://www.theatlantic.com/magazine/archive/2016/04/the-obama-doctrine/471525/>.

⁹² This is not a view held in the US under President Obama. Under his administration, the prevailing view in government has been one in which China is seen within the context of a broader Asia relationship, with strong US–Japan, US–South Korea and US–India relationships, among others, being paramount. See, for example, Wickett, X., Nilsson-Wright, J. and Summers, T. (2015), *The Asia-Pacific Power Balance: Beyond the US–China Narrative*, Research Paper, London: Royal Institute of International Affairs, <https://www.chathamhouse.org/publication/asia-pacific-power-balance-beyond-us-china-narrative>.

⁹³ BBC News (2016), 'India outpaces China in 2015 economic growth', 8 February 2016, <http://www.bbc.co.uk/news/business-35519671>. Also see IMF (2016), 'World Economic Outlook Database, October 2016', https://www.imf.org/external/pubs/ft/weo/2016/02/weodata/weorept.aspx?pr.x=49&pr.y=6&sy=1995&ey=2015&scsm=1&ssd=1&sort=country&ds=.&br=1&c=924%2C534&s=NGDP_RPCH&grp=0&a= (accessed 29 Dec. 2016).

offers a more pertinent basis for understanding regional dynamics. With this in mind, the Trump administration will have to take the following factors into consideration as it defines its policy towards China.

Economics

In 2014 China's GDP surpassed that of the US for the first time in PPP terms.⁹⁴ This was widely heralded as a qualified sign of China 'catching up' with the US economically – although the statistic did not tell the whole story. In fact there are several reasons to be less than optimistic about China's relative economic trajectory.⁹⁵ When measured at market exchange rates, China's economy remains far behind that of the US and is not forecast to exceed it in size until the late 2020s, thus limiting its economic power relative to the latter (in per capita terms, the gap in incomes is much wider still).⁹⁶ As its annual GDP growth has slowed over the past few years (from 10.6 per cent in 2010 to 6.9 per cent in 2015),⁹⁷ there are also concerns that China might get caught in the middle-income trap. Reinforcing worries over China's growth are its stock market woes and property bubble, which have been compounded by ineffective and erratic responses from the ruling Communist Party so far.⁹⁸

Conversely, the US economy has stabilized in recent years, with growth at 2.6 per cent in 2015 (though this is still lower than the pre-recession high of 3.8 per cent in 2004) and unemployment down to below 5 per cent in late 2016.⁹⁹ It is undergoing a domestic energy revolution, has again become an attractive environment for industry (as shown by the return to the US of some manufacturing operations from China), and remains the investment destination of choice

among Western countries.¹⁰⁰ While there were briefly fears of market turbulence prior to and immediately following the election of Trump, there is now broad optimism (as reflected in rising US markets) regarding Trump's promised increases in domestic spending, which he has said he will prioritize.

Defence and security

Over the past five years, China has pursued a particularly assertive security policy in Asia and has worked to fence off what it perceives as its zone of influence through an anti-access/area denial (A2/AD) strategy. In 2013, it declared a new Air Defence Identification Zone in the East China Sea. It has also used land reclamation in neighbouring waters to ensure more broadly that it has control over defence and security in the region.¹⁰¹ China has asserted its rights around a number of disputed islands: for example, by moving an oil rig into waters in the South China Sea that Vietnam considers its own, and by launching a coastguard vessel into waters claimed by Malaysia. Throughout 2015 and 2016, it invested significant resources in constructing an airfield capability on Mischief Reef and building on other reefs (and subsequently establishing defensive military capabilities on them).¹⁰² Finally, China's relationship with Taiwan could become a cause of greater friction with the US following the return to power of the more independence-oriented Democratic Progressive Party in Taiwan in January 2016.

China has also been strengthening its offensive and defensive cyber capabilities. In recent years, there have been growing allegations of Chinese-originated hacking and cyber espionage against the US government and US businesses, a matter of great sensitivity in the

⁹⁴ IMF (2016), 'World Economic Outlook Database, October 2016', <https://www.imf.org/external/pubs/ft/weo/2016/02/weodata/weorept.aspx?sy=2010&ey=2021&scsm=1&ssd=1&sort=country&ds=.&br=1&pr1.x=52&pr1.y=11&c=924%2C111&s=PPPGDP&grp=0&a=> (accessed 29 Dec. 2016). Purchasing-power-parity (PPP) comparisons adjust for differences in prices (and thus in consumers' purchasing power) between countries. For example, if a Chinese household has an annual income equivalent to US\$4,000 per person, that US\$4,000 buys more goods and services in China than the same amount would in a higher-income country such as the US. PPP adjusts for this difference. According to the IMF, the PPP exchange rate is 'the rate at which the currency of one country would have to be converted into that of another country to buy the same amount of goods and services in each country'. Callen, T. (2007), 'PPP Versus the Market: Which Weight Matters?', *Finance & Development*, March 2007, Vol. 44, No. 1, <http://www.imf.org/external/pubs/ft/fandd/2007/03/basics.htm>.

⁹⁵ Brooks, S. and Wohlforth, W. (2016), 'The Once and Future Superpower', *Foreign Affairs*, 95(3), <https://www.foreignaffairs.com/articles/usa/2016-04-13/once-and-future-superpower>.

⁹⁶ PwC (2015), *The World in 2050: Will the shift in global economic power continue?*, February 2015, p. 1 and p. 40, <http://www.pwc.com/gx/en/issues/the-economy/assets/world-in-2050-february-2015.pdf>. See also IMF (2016), 'World Economic Outlook Database, October 2016', <https://www.imf.org/external/pubs/ft/weo/2016/02/weodata/weorept.aspx?sy=2015&ey=2021&scsm=1&ssd=1&sort=country&ds=.&br=1&pr1.x=41&pr1.y=9&c=924%2C111&s=NGDPD&grp=0&a=> (accessed 29 Dec. 2016).

⁹⁷ IMF (2016), 'World Economic Outlook Database, October 2016', https://www.imf.org/external/pubs/ft/weo/2016/02/weodata/weorept.aspx?pr.x=77&pr.y=8&sy=2010&ey=2015&scsm=1&ssd=1&sort=country&ds=.&br=1&c=924&s=NGDP_RPCH&grp=0&a= (accessed 29 Dec. 2016).

⁹⁸ Tsang, A. (2016), 'China Stocks Fall Steeply in Renewed Instability', *New York Times*, 25 February 2016, <http://www.nytimes.com/2016/02/26/business/dealbook/china-stocks-fall-steeply-in-renewed-instability.html>; Bloomberg News (2016), 'Now China Has a Two-Speed Property Market, Too', 31 March 2016, <http://www.bloomberg.com/news/articles/2016-03-31/pboc-hits-gas-with-one-foot-brake-with-other-as-cities-diverge>.

⁹⁹ IMF (2016), 'World Economic Outlook Database, October 2016', https://www.imf.org/external/pubs/ft/weo/2016/02/weodata/weorept.aspx?pr.x=55&pr.y=7&sy=2004&ey=2015&scsm=1&ssd=1&sort=country&ds=.&br=1&c=111&s=NGDP_RPCH&grp=0&a= (accessed 29 Dec. 2016); US Department of Labor, Bureau of Labor Statistics (2017), 'Employment Situation Summary', 6 January 2017, <https://www.bls.gov/news.release/emp/sit.nr0.htm> (accessed 12 Jan. 2017).

¹⁰⁰ Peterson, E. R. and Laudicina, P. A. (2015), 'Connected Risks: Investing in a Divergent World', AT Kearney, April 2015, <https://www.atkearney.com/research-studies/foreign-direct-investment-confidence-index/2015>.

¹⁰¹ Summers, T. (2014), 'Changes in China's Foreign Policy Match Shifting Global Scene', Chatham House Expert Comment, 17 June 2014, <https://www.chathamhouse.org/expert/comment/14701>.

¹⁰² Watkins, D. (2015), 'What China has been Building in the South China Sea', *New York Times*, 27 October 2015, <http://www.nytimes.com/interactive/2015/07/30/world/asia/what-china-has-been-building-in-the-south-china-sea.html>.

bilateral relationship.¹⁰³ President Xi's comments, after a meeting with Obama in September 2015 in which China and the US had agreed that both governments 'will not be engaged in or knowingly support online theft of intellectual properties', have done little to alleviate US concerns.¹⁰⁴

All these activities have been supported by the continued rise in China's defence spending, which was expected to increase by 7.6 per cent to around \$150 billion in 2016 (and to \$260 billion in 2020).¹⁰⁵ While only the equivalent of one-quarter of the US defence budget, this is more than triple the size of Japan's defence budget and almost four times that of India.¹⁰⁶ However, an increase in China's defence spending does not necessarily give it an edge in operational capabilities over other actors in the region, particularly those countries that have strong security collaborations, such as the US with Japan and Australia.

Strategic collaboration and competition

Alongside its continued A2/AD policy and broader military muscle-flexing in Asia, China has engaged more actively – and at times collaboratively with the US – in several global strategic arenas. The most notable instance is on climate change, with the two countries announcing in 2014 that they would strengthen bilateral cooperation in this sphere and in 2015 issuing a joint presidential statement ahead of the UN Climate Conference in Paris. China's creation and leadership of the Asian Infrastructure Investment Bank could also be considered a positive development in the global commons, notwithstanding US concerns. It also continues to promote its global role through other means, from the 'One Belt, One Road' initiative – which will expand trade ties into Central Asia, Europe and Africa – to the creation of other institutions such as the BRICS states' New Development Bank.

However, China has also taken some less positive positions, from the US perspective, on key international issues. In particular, it has been unwilling to condemn Russia's 2014 invasion of Ukraine and seems to have lacked the ability or desire to take strong action against North Korea's continued assertiveness in the nuclear, cyber and military spheres.¹⁰⁷

Regional relations

China's actions are causing predictable reactions in Asia, not least from allies and partners of the US. Trends towards a closer relationship between some of the latter have continued, most notably between India, Japan and Australia. During the Obama years, the US also strengthened its security ties with countries such as Vietnam and the Philippines (although the relationship with the latter has been rocky since the election of President Rodrigo Duterte in May 2016). China's assertiveness is thus promoting some regional collaboration, though this still runs into obstacles. For example, while there has been some progress towards deeper engagement between Japan and South Korea, this is still hampered by historical grievances.

President Obama put significant effort into finalizing the Trans-Pacific Partnership (TPP) trade agreement in 2016, but resistance among Democrats and Republicans going into the election has prevented it from being ratified by Congress before the end of his term. Since the election of Trump, the prevailing view in the Asia-Pacific region is that the TPP has come to a halt. In response, some of the other TPP signatories have suggested advancing an agreement that excludes the US, while China has once again started to promote its alternative, the Regional Comprehensive Economic Partnership (RCEP).

All in all, the context in which Trump becomes president is one in which China is demonstrably stronger than it was at the start of the Obama administration, even if its continued rise relative to the US is more in doubt than it was then. Trump takes office during a period of significant transition in Asia, with many allies uncertain of the US's path forward.

Trump's policies

Despite his antagonistic rhetoric towards China throughout the campaign, Trump's policies will likely be driven by seeking economic advantage rather than by security challenges. This would be supported by his apparent preference for more transactional and short-term calculations, and his lesser regard for the maintenance of established alliances or for longer-term consequences.

¹⁰³ Dilanian, K. (2015), 'Chinese cyberattacks on U.S. companies continue, despite cyberagreement', PBS Newshour, 19 October 2015, <http://www.pbs.org/newshour/making-sense/despite-cyberagreement-chinese-cyberattacks-u-s-companies-continue/>.

¹⁰⁴ White House (2015), 'Remarks by President Obama and President Xi of the People's Republic of China in Joint Press Conference', 25 September 2015, <https://www.whitehouse.gov/the-press-office/2015/09/25/remarks-president-obama-and-president-xi-peoples-republic-china-joint>.

¹⁰⁵ Buckley, C. (2016), 'China's National People's Congress: Key Points', *New York Times*, 4 March 2016, http://www.nytimes.com/2016/03/05/world/asia/china-national-peoples-congress.html?_r=0; IHS Markit (2015), 'China's Defence Spending Almost Doubles by Close of Decade, IHS Says', 2 September 2015, <http://press.ih.com/press-release/aerospace-defence-security/chinas-defence-spending-almost-doubles-close-decade-ih-say>.

¹⁰⁶ *Guardian* (2016), 'China to increase defence spending by 7–8% in 2016 – official', 4 March 2016, <http://www.theguardian.com/world/2016/mar/04/china-to-increase-defence-spending-by-7-8-in-2016-official>; Reuters (2015), 'Japan defense budget to exceed 5 trillion yen in 2016/17', 23 December 2015, <http://www.reuters.com/article/us-japan-defence-budget-idUSKBN0U704N20151224>; Mason, S. (2016), 'India's Achilles' Heel', *Foreign Affairs*, 22 March 2016, <https://www.foreignaffairs.com/articles/india/2016-03-22/indias-achilles-heel>.

¹⁰⁷ It should be noted that China recently imposed stronger sanctions against North Korea. See Sandhu, S. (2016), 'China announces sanctions against North Korea', *Independent*, 5 April 2016, <http://www.independent.co.uk/news/world/asia/china-announces-sanctions-against-north-korea-a6969256.html>.

Trump's priority, as for most presidents, will be to address the needs of his domestic constituents and thus to focus on economic gains for the US. He is therefore likely to take a more balanced approach to China in the economic sphere than his earlier rhetoric and actions might suggest.

Engaging with China – a fast-growing economy with a huge market for US goods and significant investment resources – offers major economic opportunities to the US. If confirmed by the Senate, the appointment of business figures to influential cabinet positions (such as Steve Mnuchin as secretary of the Treasury and Rex Tillerson as secretary of state) will also ensure that economic interests are strongly considered in deciding China policy.

On the other hand, Trump is likely to push back hard against what he perceives as unfair Chinese economic practices such as currency manipulation. If China or Chinese entities continue to engage in cyber espionage against US businesses or hacking, the Trump administration could respond quite strongly, which will most likely play out in the cyber and economic realms but could also have broader security connotations.

Trump has threatened to hit China with trade cases in the US and at the World Trade Organization (WTO) early in his presidency. Given the potential economic cost of starting his administration's dealings with China in this way, he will likely follow through only in some relatively marginal cases, mostly as a sop to his voters. But if China continues to engage in what Trump believes to be economic aggression against the US (e.g. by subsidizing exports), he will likely respond strongly, including through the WTO. At the same time, Trump's dismissal of the TPP has emboldened China to move further forward with its RCEP initiative.

Regional security issues will take a back seat for the Trump administration. He has made clear that the US's allies need to take more responsibility for their own security.¹⁰⁸ This will affect in particular those allies in Asia that depend on US security guarantees, such as Japan and South Korea. Security issues could also be used to try to gain leverage for economic benefits (as was possibly the case with Trump's controversial call with President Tsai Ing-wen of Taiwan, shortly after his election win). Thus, while Chinese assertiveness in the South China Sea and East China Sea will be met with an American response, this will likely be more of a tactical diplomatic posture than due to serious concern over China's actions – unless these actions directly threaten US interests such as open sea lanes for energy and trade flows. Moreover, although Trump will opt for a strong military reaction to any Chinese aggression that directly

threatens such US interests, he will be far less likely to take similar action in support of an aggrieved ally.

Trump has expressed no interest in promoting human rights and democracy, and he is unlikely to include this in his engagement with China. As for the progress Obama made with China on the environmental agenda, this will likely come to a halt, which could then result in China using US intransigence to highlight its own leadership in this area.

Trump made many extreme proposals during the campaign, but he might have trouble implementing them. He will be constrained by many actors, especially Congress, the government bureaucracy, the judiciary and his cabinet. For example, the government's inter-agency Committee on Foreign Investment in the United States (CFIUS), which has played a meaningful role in economic relations with China over the past decade,¹⁰⁹ might move to be more in line with Trump's beliefs (for example, regarding concerns over Chinese economic expansion, and in response to trade and investment practices deemed anti-competitive), but it is unlikely to make a significant U-turn.

International implications

How the US–Chinese relationship evolves during Trump's presidency will have repercussions within global institutions, as well as in a wide range of policy arenas across Asia and around the world.

As the world's two largest carbon emitters, the US and China have recently made progress together in fighting climate change. The Trump administration, however, is very unlikely to keep this issue on its agenda, which would end such cooperation.

The ability of the US and China to work together has significant implications for global institutions. The UN functions more effectively when the two countries collaborate well. Reform of the Bretton Woods institutions would also be far more likely if the bilateral relationship is not adversarial. The efficacy of such institutions affects spheres from economics to security, counterterrorism, cybersecurity, space activities and many more. These are all areas for potential collaboration between the US and China, but also ones in which severe damage could occur if the relationship between the two grows more confrontational.

¹⁰⁸ In March 2016, Trump suggested that Japan and South Korea might want to have their own nuclear weapons to better defend themselves against possible adversaries rather than relying on the US nuclear umbrella. He backed away from this position subsequently. Condon, S. (2016), 'Donald Trump: Japan, South Korea might need nuclear weapons', CBS News, 29 March 2016, <http://www.cbsnews.com/news/donald-trump-japan-south-korea-might-need-nuclear-weapons/>.

¹⁰⁹ CFIUS has blocked a number of significant Chinese investments in the US over the years, including in Smithfield Foods (2013) and Unocal (2005).

One arena likely to see significant change is environmental policy. As the world's two largest carbon emitters, the US and China have recently made progress together in fighting climate change. The Trump administration, however, is very unlikely to keep this issue on its agenda, which would end such cooperation. Given the necessity of strong leadership on the issue, global progress on implementing the Paris climate agreement is extremely unlikely with Trump as president.

The other powers in Asia have long been nervous of a stronger and closer US–Chinese relationship (as a result of which they might be ignored), as well as of a weaker, more confrontational one (in which they might be stuck in the middle). Territorial disputes in Asia are likely to be low-priority issues for the US during Trump's presidency, with consequences for America's allies in the region. The insecurity that many have felt during the Obama administration is only going to get worse, and these countries are therefore likely to boost their security capabilities in the coming years, most likely resulting in rising regional tensions and uncertainty.

The rejection of the TPP by the US, at least for the next four years,¹¹⁰ will mean that the Asian signatories to the agreement will either become more economically bound to China (with or without progress on the RCEP), or will become more closely aligned economically with each other as they try to move the agreement forward without the US. It is likely, at least in the short term, that they will try to proceed on both fronts.

The US's Asian allies are also likely to be wary of Trump's penchant for unpredictability. This, too, will lead them to turn away from the US in search of more reliable allies in the region and beyond. China and Russia could benefit from this, but it could also lead to closer relationships *between* the US's allies as they try to bring greater stability and predictability to the region. This would play out over the longer term.

The evolution of the US–Chinese relationship will also have implications for Europe. European countries have traditionally seen China in terms more of commercial interests than of strategic concern. An improving US–Chinese relationship could lead to economic benefits for them (albeit with greater competition between the US and Europe). If the US moves to a more hawkish position on China, emphasizing the latter's potential threat, European states are likely to find their own policies increasingly divergent from that of the US, which could cause rifts in the transatlantic relationship. A US that is embroiled in an Asian conflict would also be far less likely to be able to assist Europe with challenges to its east and south.

The Middle East will be affected by the US–Chinese relationship to a lesser extent. However, China – and Asia more broadly – is becoming more dependent on Middle Eastern energy. This could be a region of common strategic interest and collaboration for the US and China in spite of tensions elsewhere between them. Ideally, they would work more closely together and with others to promote stability in the Middle East, and to ensure that sea lanes remain open. However, a worsening relationship would make this difficult.

Finally, the greatest unknown concerns North Korea. If it keeps trying to expand its nuclear capabilities and to take aggressive actions towards South Korea and Japan, the US will expect China to act to rein it in. If China responds positively, then this would further strengthen its relationship with the US. However, if the US–China relationship becomes rockier, then the international community's ability to respond to North Korean bellicosity will be diminished, with potentially disastrous consequences.

¹¹⁰ A future administration might try to revive the TPP if circumstances allowed.

7. Russia

Jacob Parakilas

Key points

- Donald Trump will take a fundamentally different view towards Russia from that of any other modern US president. His willingness to redraw the boundaries of American national interest opens the door for Russia to act freely in Europe and the Middle East, and force reconsideration of geopolitical positioning among US allies and partners alike.
- Trump favours much less US involvement in Ukraine than do leading voices in Congress. This could leave the future of Ukraine in the hands of a distracted and divided EU.
- On Syria, Trump sees the US goal of ending the conflict and focusing on destroying ISIS as broadly compatible with Russia's policy. His administration is likely to pursue a realignment towards Russia and the Assad regime.
- Trump's general enthusiasm for military spending suggests that he will continue US nuclear modernization. At the same time, his willingness to question long-standing US support for NATO and other US alliances has raised concerns among European allies, and could encourage greater Russian assertiveness in Europe and the Middle East.
- The relationship between the Trump administration and Russia will be immensely complicated by the cybersecurity issues which ended up being a major part of the 2016 election campaign. The gulf between Trump and intelligence professionals, as well as significant portions of Congress, on these issues injects a noteworthy amount of uncertainty into Trump's stated ambition to repair American ties with Russia.

Managing the US's relationship with Russia will be one of the major geopolitical challenges for President Donald Trump. He takes office at a time when the bilateral relationship is at its lowest ebb in years. And, while he has promised to remake it, a similar effort at the beginning of Barack Obama's first term was ultimately unsuccessful.

Despite their clear and overt disagreements over the structure and operation of the existing world order, the US and Russia share several interests. These range from the extremely broad, such as nuclear non-proliferation, to very specific joint endeavours, such as the operation of the International Space Station. The US has taken a largely two-track approach in relations with Russia, with some issues

sharply dividing the two countries and others requiring their governments to work closely together.

During the electoral campaign, Trump's positions on Russia set him apart not only from his Democratic rival, Hillary Clinton, but from his Republican primary opponents as well. While most of his opponents called for a more confrontational approach, Trump alone suggested that the US and Russia should work together more closely.

Background

In the 2012 presidential election, Russia was a minor political issue – aside from one memorable exchange between Mitt Romney and Obama during their third debate.¹¹¹ Much has changed in the four years since. Bolstered economically until mid-2014 by high oil prices, Russia recapitalized its military, focusing on creating a smaller but better-equipped and more capable force. In 2014, it illegally annexed Crimea and began to support an insurgent movement in eastern Ukraine, continuing to do so even after a Malaysia Airlines flight originating in Amsterdam was shot down over Ukrainian territory controlled by its proxies.

In response to these actions, the US imposed sanctions on members of President Vladimir Putin's inner circle and sectors of the Russian economy, and encouraged its European allies to do the same. The US also moved to bolster its military forces in Europe, which had been reduced slowly over the past 25 years out of a perception that the primary threats to American interests were now elsewhere. As the US took these steps, oil prices began a steep decline, which deeply affected the heavily oil-dependent Russian economy.¹¹²

The foreign policies of Russia and the US intersect on numerous key issues, but five stand out and are likely to remain prominent during the Trump presidency: Ukraine, Iran, Syria, nuclear weapons and cybersecurity.

Ukraine

Russia's illegal annexation of Crimea and its support for insurgent groups in the Donbas region of Ukraine have created major problems in its relations with the US and Europe since early 2014. Neither situation is likely to be resolved in the near term. There are no indications that Russia will reverse the annexation – which was endorsed by a vote in the Russian parliament in March 2014 – and

¹¹¹ 'Romney: Russia I indicated is a geopolitical foe. Not ... Excuse me. It's a geopolitical foe, and I said in the same – in the same paragraph I said, and Iran is the greatest national security threat we face.' Commission on Presidential Debates (2012), 'October 22, 2012 Debate Transcript', <http://debates.org/index.php?page=october-22-2012-the-third-obama-romney-presidential-debate> (accessed 20 Apr. 2016).

¹¹² According to preliminary figures published by Russia's statistics service (Rosstat), the economy contracted by 3.7 per cent in 2015. BBC News (2016), 'Russian economy hit by oil price slide', 25 January 2016, <http://www.bbc.co.uk/news/business-35398423> (accessed 20 Apr. 2016).

it clearly intends to continue to create instability on its border with Ukraine as part of a long-term strategy to exercise control over its 'near abroad'. The Minsk Accords have only dampened, not ended, the violence in Donbas and a longer-term political solution still is elusive.¹¹³ So far, the US has sent non-lethal aid, such as uniforms, body armour, night-vision goggles and trucks, to support Ukraine's military, but it has not answered calls made by the Ukrainian government (and in some quarters in the US) for advanced weapons, particularly anti-tank missiles.

The continuation of EU sanctions on Russia is not a given: they must be renewed on a regular basis by the European Council, and some member states would prefer for them to be lifted.¹¹⁴ Europe has a complicated relationship with Russia: on the one hand, Russian activity in Ukraine is seen in most Western European capitals as a significant security threat; on the other, Russia is a major exporter of energy to Europe. As a result, the task of the Trump administration will be to address EU security and economic concerns while building a long-term, sustainable strategy towards Russia, Europe and Ukraine.

Iran

The US and Russia worked with China, France, the UK and Germany to develop and implement the Joint Comprehensive Plan of Action (JCPOA) with Iran regarding the latter's nuclear programme. As a result, all are currently committed to the implementation of the JCPOA, which prevents Iran from further developing a weapons programme and curtails its enrichment and reprocessing activities in return for the easing of most of the sanctions that had been imposed on it. Russia has various commercial relationships with Iran, including arms sales, along with shared geostrategic interests in the Middle East, including in Syria. This is likely to lead to a tightening of the Russia–Iran bilateral relationship in coming years.¹¹⁵ In this context, whether or not the JCPOA is kept in place over the next four years will have major repercussions for the relationship between the US and Russia, both in terms of their competing interests in the Gulf and in how they deal with Syria and Iraq.

Syria

Syria has long been aligned with Russia, as it was with the Soviet Union before 1991. Russia has a naval base at Tartus, which is its only permanent military facility outside the territory of the former USSR. It has backed President Bashar al-Assad since the beginning of the uprising against him in 2011. In 2013 the US and Russia agreed a plan to dispose of the Syrian regime's chemical weapons stocks, which forestalled American military action but did not interrupt Russian military aid to the regime. In 2015, Russia began a military intervention in Syria to support the embattled Assad regime. In the meantime, the US had called for his removal and backed, if hesitantly, some of the rebel groups opposing him. Despite suggestions that Russian forces would target Islamic State of Iraq and Syria (ISIS), they have gone largely after other rebel groups, including those supported by the US.¹¹⁶ Russia has indicated that it will continue direct and indirect support for the Syrian regime, and stepped up its airstrikes targeting rebel forces in the immediate wake of the US election. Given Russia's political and military commitment to Assad, any US efforts towards a lasting solution to the war in Syria will inevitably have to involve Russia.

Nuclear weapons

Despite the squeeze on its economy imposed by sanctions and, to a greater degree, by low oil prices, Russia has continued to increase its military spending.¹¹⁷ It has showcased new weapons systems in exercises and has deployed some conventional systems in operations in Ukraine and Syria. Despite progress on nuclear arms control in respect of Russia during Obama's first term (especially the New START treaty), both the US and Russia have continued to update their nuclear weapons capabilities. According to the State Department, Russia is in violation of the terms of the Intermediate-Range Nuclear Forces Treaty of 1987.¹¹⁸ There have been other concerning developments, including the Russian withdrawal from an agreement concerning the disposal of surplus plutonium¹¹⁹ and its deployment of nuclear-capable ballistic missiles in

¹¹³ Voice of America News (2016), 'Germany, France Urge Ukraine and Russia to Implement Minsk Accord', 23 February 2016, <http://www.voanews.com/content/german-french-foreign-ministers-anxious-about-ukraine/3203343.html> (accessed 20 Apr. 2016).

¹¹⁴ European Council (2016), 'EU restrictive measures in response to the crisis in Ukraine', <http://www.consilium.europa.eu/en/policies/sanctions/ukraine-crisis/> (accessed 20 Apr. 2016).

¹¹⁵ Khajehpour, B. (2015), 'Iran-Russia relations after nuclear deal', Al-Monitor, 12 July 2015, <http://www.al-monitor.com/pulse/originals/2015/07/iran-russia-nuclear-sanctions-economy-gas-oil.html#> (accessed 20 Apr. 2016).

¹¹⁶ Stubbs, J. (2015), 'Four-fifths of Russia's Syria strikes don't target Islamic State', Reuters, 21 October 2015, <http://www.reuters.com/article/us-mideast-crisis-syria-russia-strikes-idUSKCN0SF24L20151021> (accessed 20 Apr. 2016).

¹¹⁷ Gady, F. (2015), 'Russia's Military Spending to Increase Modestly in 2016', *The Diplomat*, 10 November 2015, <http://thediplomat.com/2015/11/russias-military-spending-to-increase-modestly-in-2016/> (accessed 20 Apr. 2016).

¹¹⁸ Gordon, M. (2015), 'U.S. Says Russia Failed to Correct Violation of Landmark 1987 Arms Control Deal', *New York Times*, 5 June 2015, http://www.nytimes.com/2015/06/06/world/europe/us-says-russia-fails-to-correct-violation-of-landmark-1987-arms-control-deal.html?_r=0; and Woolf, A. F. (2016), *Russian Compliance with the Intermediate Range Nuclear Forces (INF) Treaty: Background and Issues for Congress*, Washington, DC: Congressional Research Service, <https://www.fas.org/sgp/crs/nuke/R43832.pdf> (both accessed 20 Apr. 2016).

¹¹⁹ Kramer, A. (2016), 'Vladimir Putin Exits Nuclear Security Pact, Citing 'Hostile Actions' by U.S.', *New York Times*, 3 October 2016, <http://www.nytimes.com/2016/10/04/world/europe/russia-plutonium-nuclear-treaty.html> (accessed 12 Dec. 2016).

Kaliningrad.¹²⁰ The sum effect could be highly destabilizing, particularly in light of Putin's willingness to use much more threatening rhetoric around nuclear weapons issues (even if such language is primarily intended for domestic consumption).¹²¹ In order to increase stability and re-establish confidence-building measures, President Trump will have to manage American strategic priorities in light of Russia's increased assertiveness in the nuclear field.

Cybersecurity

The US intelligence community and independent researchers have been largely in agreement in blaming Russia for sponsoring hacking directed at American political entities during the presidential election, including the Democratic National Committee and Hillary Clinton's campaign. This will be a particularly complicated area of US–Russian relations over the next four years, given the widening gap between this mainstream expert opinion and Trump's reluctance to accept the consensus of the intelligence community that Russia was in fact responsible.¹²² Here the conflict may be less between the US and Russia, and more between a national security apparatus that views the internet as a contested battle space between Russia and the US and a president who does not yet share that view. If the US government does not find a way to deter Russia's use of electronic disruption in support of its political agenda, it is likely that the latter will see this as an effective and penalty-free technique to be repeated elsewhere in the world.

Trump's policies

Trump's statements on Russia suggest that he might take a fundamentally different approach to the country to those of his predecessors. This fits in with a broader theme in his foreign policy views – wanting to fundamentally reconfigure the US's role in the world. His statements before and during the campaign suggest that he takes a transactional view of alliance relationships, and that he favours withdrawing American forces from allied countries or requiring these to pay financially or in kind for US strategic support. The

realities of governing may push him in a more conventional direction, but he is clearly willing to use the fundamentals of American alliances as bargaining chips in a way that no previous American president has.

Trump's statements on NATO, in particular, suggest that he puts much more value on the potential cost savings of withdrawal from alliance commitments than on any security benefits such arrangements confer.¹²³ His position on Ukraine also differs from the broad bipartisan consensus, and conforms to his broader view that the US should be doing much less 'policing' in the world unless its interests, as he sees them, are strongly engaged. Over the course of the campaign, he was much less in favour of American involvement in Ukraine than his rivals in either party.¹²⁴ Trump's statement that the status of Ukraine is a 'European problem' suggests that he would not supply the country with lethal military aid and that he might even withdraw existing non-lethal and economic aid, regardless of the impact on Ukraine's precarious position between West and East. He may also seek to reduce or eliminate sanctions against Russia levied in response to the Ukraine crisis – though congressional assent to such changes may be difficult to obtain.

More broadly, should he attempt to withdraw US forces from Europe or move too aggressively to change the existing European security order, Trump will face considerable bureaucratic inertia as well as resistance from both parties in Congress and from the diplomatic corps and military. The gap between Trump's personal views on Russia and those of the political establishment, including the Republican foreign policy community, is enormous. This is likely to limit the extent to which he can steer American policy on this issue. While there has been notable disagreement within the foreign policy community about what tactics the US should use to counter Russia's actions, the generally held view is that it is an adversary to be contained rather than a partner with which to collaborate.

However, through the rhetorical power of the presidency Trump could still reinforce or undermine the credibility of American-backed military alliances with his words alone. For example, his statement that he would consider a NATO member state's record of 'contributing'

¹²⁰ Sims, A. (2016), 'Poland 'highly concerned' after Russia moves nuclear-capable missiles into Kaliningrad', *Independent*, 8 October 2016, <http://www.independent.co.uk/news/world/europe/poland-highly-concerned-after-russia-moves-nuclear-capable-missiles-into-kaliningrad-a7352151.html> (accessed 12 Dec. 2016).

¹²¹ See Bennetts, M. (2015), 'Putin: Will he go nuclear?' *Telegraph*, 15 February 2015, <http://www.telegraph.co.uk/news/worldnews/europe/ukraine/11412878/Putin-Will-he-go-nuclear.html> (accessed 12 Dec. 2016).

¹²² Viebeck, E. and Demirjian, K. (2016), 'Key GOP senators join call for bipartisan Russia election probe, even as their leaders remain mum', *Washington Post*, 11 December 2016, https://www.washingtonpost.com/news/powerpost/wp/2016/12/11/key-gop-senators-join-call-for-bipartisan-russia-election-probe-even-as-their-leaders-remain-mum/?hpid=hp_hp-top-table-main_gopreact-630pm%3Ahomepage%2Fstory&utm_term=.05cbe53bf8d2 (accessed 12 Dec. 2016).

¹²³ Costa, R. and Rucker, P. (2016), 'Trump questions need for NATO, outlines noninterventionist foreign policy', *Washington Post*, 21 March 2016, <https://www.washingtonpost.com/news/post-politics/wp/2016/03/21/donald-trump-reveals-foreign-policy-team-in-meeting-with-the-washington-post/> (accessed 20 Apr. 2016).

¹²⁴ Birnbaum, M. and Del Real, J. (2015), 'Trump tells Ukraine conference their nation was invaded because 'there is no respect for the United States'', *Washington Post*, 11 September 2015, <https://www.washingtonpost.com/news/post-politics/wp/2015/09/11/trump-tells-ukraine-conference-their-nation-was-invaded-because-there-is-no-respect-for-the-united-states/> (accessed 20 Apr. 2016).

to the US before agreeing to defend it against attack could undermine the deterrent effect of Article 5 and weaken NATO's strategic credibility without formally changing American policy.

During the campaign, Trump praised Putin effusively and defended him against allegations that he was complicit in the deaths of Russian opposition figures and journalists. Putin returned the praise, referring to Trump as 'a bright and talented leader'.¹²⁵ While their personal relationship could in theory create opportunities for productive exchange between the two countries, those words were exchanged at times when Trump was speaking only for himself and had no national interest or standing policy to defend. The reality of the personal relationship between him and Putin is likely to be far more complicated, and difficult, while he is in office.

Trump's choice as national security adviser, Michael Flynn, has recently hewed close to his line on Russia. Flynn has his own links with the Russian government, including a history of appearances on its RT television channel. Flynn's influence could reinforce any attempt to shift policy towards accommodation with Russia, but much will also depend on the roles that Trump's secretaries of state and defence take in his administration. His nominee for secretary of defence, retired Marine general James Mattis, holds relatively conventional views regarding Russia, and will argue for continued engagement with traditional American allies and a deterrent posture in Europe. Trump's proposed secretary of state, Rex Tillerson, is harder to predict – like much of Trump's cabinet, he comes from the private sector and has no record of public service. His confirmation testimony to the Senate Foreign Relations Committee suggested that his approach to Russia would fall somewhere between those of Flynn and Mattis. However, his closeness to Russia (especially his 2013 receipt of the Order of Friendship from Putin) and his record of conducting business with Russian partners suggest that he will place priority on commercial ties between the two countries, and will push for a lessening of sanctions.

On Syria, Trump seems to see Russian and American goals as broadly compatible, despite the fact that US policy has been to work towards the ousting of Assad, while Russia's military intervention to secure the Syrian president's rule has heavily targeted rebel groups armed and supported by the US. On Iran, Trump has been intensely critical of

the JCPOA, but his view on the fate of the deal has been inconsistent. At various times he has said that the deal should be scrapped and at others that it is in need of reform and stronger policing.¹²⁶

It is difficult to parse Trump's exact position on nuclear weapons based on his campaign statements. He has indicated that he is concerned about the age and condition of the US nuclear deterrent, while at the same time suggesting that the US's allies should pursue their own nuclear weapons programmes rather than relying on US military support.¹²⁷ Regardless, his general enthusiasm for military spending suggests that he will continue or expand nuclear modernization programmes – though there is an outside chance, given his equal enthusiasm for negotiation and deal-making, that he might support new arms limitation talks with Russia.

While Trump's calls for joint cyber taskforces might streamline some elements of US policy, there is little indication that he will seek to punish Russia for its interference in the US election or deter it from using the same tactics again in the future.

Similarly, despite Trump's emphasis on cybersecurity,¹²⁸ he has openly questioned the otherwise widely held viewpoint that Russia was responsible for the hacking directed at Democratic Party targets during the US election and for the subsequent disclosure of the hacked files via WikiLeaks.¹²⁹ While Trump's calls for joint cyber taskforces might streamline some elements of US policy in this arena, there is little indication that he will seek to punish Russia for its interference in the US election or deter it from using the same tactics again in the future.

International implications

For the US's allies in Europe, Trump's presidency comes at a highly uncertain and unstable time. 'Brexit', Russian revanchism and the rise of right-wing nationalist parties in France, Germany and elsewhere have thrown the idea of a European community drawing together ever more closely into significant doubt. The US security commitment

¹²⁵ Botelho, G. and Diamond, J. (2015), 'Putin praises 'bright and talented' Trump', CNN, 18 December 2015, <http://edition.cnn.com/2015/12/17/politics/russia-putin-trump/> (accessed 20 Apr. 2016).

¹²⁶ Saletan, W. (2016), 'Is Donald Trump the Only Leading Republican We Can Trust on Iran?', Slate, 19 January 2016, http://www.slate.com/articles/news_and_politics/politics/2016/01/donald_trump_is_the_only_serious_gop_candidate_who_hasn_t_promised_to_rip.html (accessed 20 Apr. 2016).

¹²⁷ *New York Times* (2016), 'Transcript: Donald Trump Expounds on His Foreign Policy Views', 26 March 2016, <http://www.nytimes.com/2016/03/27/us/politics/donald-trump-transcript.html> (accessed 20 Apr. 2016).

¹²⁸ DonaldJTrump.com (2016), 'Donald J. Trump Promises Immediate Action on Cybersecurity in his Administration', 3 October 2016, <https://www.donaldjtrump.com/press-releases/donald-j.-trump-remarks-on-cybersecurity> (accessed 12 Dec. 2016).

¹²⁹ Scherer, M. (2016), '2016 Person of the Year: Donald Trump', *Time*, 7 December 2016, <http://time.com/time-person-of-the-year-2016-donald-trump/?iid=toc> (accessed 12 Dec. 2016).

to Europe dates back to the end of the Second World War, and, despite some oscillations over the years, is foundational to the European security architecture. The election of a president who seeks to rebalance the US relationship with Russia and draw back from such guarantees therefore has potentially vast implications, even if the reality of governing and alliance politics will likely limit his range of action somewhat.

In the Middle East, the implications of a new direction in Russia policy will be significant but will mark less of an abrupt shift. The biggest change will be over Syria, where Trump seems likely to pursue a realignment towards Russia and Assad. While certainly a change in US goals, this will not deeply reshape the Syrian conflict, even if it makes a settlement on Assad's terms somewhat more likely. Such a settlement would establish Russia as more of a player in Middle Eastern politics, but a Russia-brokered end to the war would still be a long way from Russia supplanting American influence in the region as a whole.

That can be seen in the likely direction of the Iran nuclear deal. During the campaign, Trump staked out a more nuanced position on the future of the JCPOA than his Republican rivals. He was sharply critical of the deal, but seems more likely to preserve it in the short term despite high-profile comments to the contrary. He also indicated more awareness of the commercial pressures that would be placed on American businesses as a result of the deal. Trump is likely to maintain the deal, at least in the near term. While this will encourage closer business and defence ties between Iran and Russia, demonstrating continuity in US policy will also limit opportunities for Russia to broaden its reach into the Gulf region.

Trump's apparent willingness to redraw the boundaries of American national interest in such a way as to open the door for Russia to act freely in Europe and the Middle East places him in a category almost by himself among American presidents. His overall approach also means that, instead of the US trying to defend the existing world order and Russia trying to challenge it, the status quo would be under attack from both sides.

In trying to operationalize a policy of closer alignment towards Russia – for example, by withdrawing American troops from Europe – Trump would likely face bipartisan opposition in Congress as well as within the bureaucracy of the executive branch. But he has not demonstrated an interest either in collaboration or in backing down when challenged by established opponents. He will likely seek to work around such obstacles, therefore, and try to implement his policies through executive orders – though these would still be vulnerable to pushback from Congress. That tension would limit the extent to which he could change the US's course, but in stretching the boundaries and creating uncertainty he

would lend further weight to the suggestion that America is an increasingly erratic and unreliable ally in the face of Russian threats. And that would, in turn, provide Russia with leverage to deploy in Europe and the Middle East, as well as on broader issues of international security.

Another key factor that European allies and Russia alike will need to take into account is that the communication style of the Trump administration is likely to be significantly different from those of its predecessors. As the first president without a history of public service, Trump draws his strategic messaging approach from his background in business and reality television. He has repeatedly praised the value of unpredictability in negotiations and seeks to apply that principle to diplomacy as well. This is compounded by the fact that many of his advisers are drawn from beyond traditional policy circles. His administration is likely to struggle, at least initially, with articulating a clear message on Russia, especially given that the former's priorities will often diverge from those of Congress and the bureaucracy. In practical terms, this will undercut any messages of reassurance or deterrence that the Trump administration tries to send to allies in Europe.

But it has another potential aspect as well. During the Cold War, the US and Russia were firmly at odds with each other – but their mutual antipathy meant that they shared a common strategic language. Each was manoeuvring for advantage over the other, but overall intent was entirely clear on both sides. An American government divided sharply between hawkish and dovish instincts on Russia will struggle to make its intent clear to Russia because it will be unable to settle that question for itself.

If Trump and Putin find themselves at odds over some aspect of policy or a perceived slight – or if the hardliners win the bureaucratic battles in Washington – Trump's tone towards Russia might switch rapidly to the sort of exceptionally hawkish one that he has taken with China, Mexico and other perceived antagonists. In this instance, with the US lacking any significant economic levers over Russia – these being Trump's preferred means of dealing with opposing states, to judge from his rhetoric – it is not at all clear what approach the president would take, or what means he would use.

In short, the US's allies will need to re-examine basic aspects of their geopolitical positioning in terms of how the Trump administration will frame and implement its Russia policy. In particular, Eastern European countries will need to decide whether they can maintain a Western orientation if faced with a US that is no longer unquestionably willing to help them deter Russia; and Western European countries might need to reconsider seriously how much of a united front they could maintain on sanctions and Ukraine. And the rest of the world needs to prepare contingency plans for a US that is much less able clearly and unambiguously to signal its intent towards Russia.

8. Middle East and North Africa

Flynt Leverett

Key points

- Despite President Obama's efforts to 'rebalance' US strategy towards Asia, the Middle East has dominated his administration's foreign policy agenda. It will continue to demand significant attention and resources from his successor, Donald Trump.
- Trump questions whether US primacy in the region is in US interests, rejects regime change, and wants to work with Russia against ISIS. But it is unclear whether such realist impulses will be matched by policy, given the strong presence of hawkish (and, in particular, anti-Iran) Middle East advisers in the incoming administration. Perceptions that Trump is anti-Muslim could limit cooperation from some states in the region.
- Trump's self-image as a successful negotiator might encourage him to try mediating between Israelis and Palestinians, but he is unlikely to push for a settlement that would seriously limit Israel's strategic options. The Trump administration is unlikely to have much interest in pressing allies in Egypt, Saudi Arabia and elsewhere over their internal political conditions.

As it has been for other recent administrations, the Middle East will be central to US foreign policy during Donald Trump's presidency. He and his team must craft strategy for a daunting array of regional challenges, including the ongoing struggle against Islamic State of Iraq and Syria (ISIS), proceeding or not with the nuclear deal reached with Iran in 2015, and resolving the Syrian conflict. Trump's team must tackle these tasks amid consequential regional change, reflected in Iran's continued rise, Russia's expanding role, Turkey's potential realignment, the growing attraction of jihadi ideas and activism among Sunnis, and rising concern over Saudi Arabia's long-term stability. By contrast, Trump will take office under less pressure than any president since the late 1960s to seriously address the Israeli–Palestinian conflict.

Background

Trump won the presidency with a campaign that challenged to an unusual degree basic premises of US Middle East strategy. While his Democratic opponent, Hillary

Clinton, embraced the policy establishment's perceived imperative that the US pursue military and diplomatic primacy in the region, he pledged to put 'America first' and questioned whether primacy in the Middle East, as defined by successive administrations since the end of the Cold War, really serves US interests. It is unclear whether Trump can translate these campaign positions into a new Middle East strategy: one aimed not at coercive dominance through never-ending intervention and regime change, but at a reasonably stable balance of power in which the US engages productively with all major regional players.

The US has aspired to be the Middle East's dominant power since the Second World War. For decades, successive administrations have considered military supremacy in the region to be indispensable to maintaining influence over flows of its hydrocarbons to international markets – a task each has deemed essential to the US's global standing.¹³⁰ Washington's interest in oil from the Persian Gulf has never been primarily about satisfying the US's own energy needs (a point overlooked by claims that the 'shale revolution' lets Washington disengage from the region); it is about controlling who gets access to this oil, thereby bolstering US influence in other vital regions.¹³¹ US officials have long seen alliances with Saudi Arabia, Iran (until the 1979 revolution), Israel (after the 1967 Arab–Israeli War) and Egypt (since the 1978 Camp David accords) as key to realizing this agenda.

The Cold War significantly constrained the US quest for regional dominance. When it ended, Washington judged itself freer to forge a highly militarized, pro-US political and security order in the Middle East – and to ostracize and undermine those countries unwilling to subordinate their strategic independence to it. The George H. W. Bush, Bill Clinton and George W. Bush administrations differed on elements of Middle East policy – such as the role of diplomacy between Arabs and Israelis, and the balance between democracy promotion and backing pro-US authoritarians – but all pursued primacy grounded in a US-led regional order.¹³²

Barack Obama emerged as a presidential contender partly by challenging aspects of this agenda. In the 2008 Democratic primaries, he distinguished himself from his main rival, Hillary Clinton, by opposing the 2003 Iraq invasion (which she had endorsed) and advocating

¹³⁰ Keohane, R. (1984/2005), *After Hegemony: Cooperation and Discord in the World Political Economy*, Princeton: Princeton University Press, pp. 139–41, 150–81, 190–95, 202–06; Khalidi, R. (2009), *Sowing Crisis: The Cold War and American Dominance in the Middle East*, Boston: Beacon, pp. 6–16, 40–62, 107–11; and Leverett, F. and Mann Leverett, H. (2012), 'The Balance of Power, Public Goods, and the Lost Art of Grand Strategy: American Policy toward the Persian Gulf and Rising Asia in the 21st Century', *Penn State Journal of Law and International Affairs*, 1:2, pp. 216–18, November 2012.

¹³¹ The US came out of the Second World War more than self-sufficient in oil production. It would not become a net oil importer until the early 1970s; since then it has never met a high percentage of its oil demand with Middle East imports. See Leverett and Mann Leverett (2012), 'The Balance of Power, Public Goods, and the Lost Art of Grand Strategy', pp. 210–11 and sources cited therein.

¹³² For critical assessments, see Mearsheimer, J. (2011), 'Imperial by Design', *National Interest*, January/February 2011, <http://nationalinterest.org/article/imperial-by-design-4576> (accessed 22 Dec. 2016); and Leverett, F. and Mann Leverett, H. (2013), *Going to Tehran: Why America Must Accept the Islamic Republic of Iran*, New York: Metropolitan/Picador, pp. 1–11, 328–34.

diplomacy with Iran (which she opposed). As president, he sought to 'rebalance' US strategy by shifting high-level attention and resources from the Middle East to Asia. With Obama leaving office, his camp has been crafting narratives about how he charted a more sustainable course for Middle East policy by raising the threshold for intervention; reducing on-the-ground military presence; reinforcing security ties with traditional regional allies while deflecting their efforts to co-opt US power for their narrow interests; and concluding the Iran nuclear deal.¹³³

These claims are contested from multiple perspectives. Neoconservatives, liberal internationalists and other 'primacists' hold that Obama's threshold for military action and mishandling of long-term allies have eroded US credibility, setting the stage for the emergence of ISIS, Russia's expanded regional role, and Iran's growing influence.¹³⁴ Those on the left and the right who think that striving for regional primacy corrodes long-term US standing criticize Obama for failing to fulfil his 2008 campaign pledge to end not just the war in Iraq, but the mindset behind it. They note that the intervention in Libya in 2011 violated Obama's own standards for direct military engagement – with, by his acknowledgment, horrible results. They cite his limited but still destabilizing support for ousting President Bashar al-Assad of Syria, his habitual resort to drone strikes and the anti-Americanism fuelled by those strikes as proving his failure to break with counter-productively hegemonic ambitions.¹³⁵

In the campaign, Trump blended these critiques to attack Obama's approach as both too weak and too interventionist. However one assesses Obama's record, his presidency did not resolve the question of whether primacy in the Middle East is desirable for the US. How Trump addresses this question will frame his approach to the region.

Trump's policies

During the campaign, Trump questioned whether Middle East primacy is truly in the US's interest – with 'interest' here narrowly defined in terms of direct material economic and political benefits.¹³⁶ He rejected US-instigated regime change, presenting himself as a prescient opponent of the Iraq invasion and the Libya intervention (though he had made statements supporting both actions at the time they took place).¹³⁷ He appeared sceptical about long-term allies like Saudi Arabia as partners in projecting US power and influence, questioning the US's seemingly unconditional security ties to them.¹³⁸ While he ostensibly professed support for Israel's security (and its strategic preferences) with as much ardour as any candidate, pro-Israel constituencies in the US worried that his distaste for alliances might extend to Israel too. Trump also seemed more comfortable than most members of the US policy elite with elements of classical balance-of-power thinking (e.g. great power concerts, spheres of influence), making him less concerned about the involvement of other major powers such as Russia in the region.¹³⁹

¹³³ Goldberg, J. (2016), 'The Obama Doctrine', *Atlantic*, April 2016, <http://www.theatlantic.com/magazine/archive/2016/04/the-obama-doctrine/471525/> (accessed 6 Dec. 2016); Shapiro, J. (2016), 'Speaking Nonsense to Power: Misadventures in Dissent Over Syria', *War on the Rocks*, 24 June 2016, <http://warontherocks.com/2016/06/speaking-nonsense-to-power-misadventures-in-dissent-over-syria/> (accessed 6 Dec. 2016); and Miller, A. (2016), 'A Defense of Obama's Middle East 'Balancing Act'', *Foreign Policy*, 15 August 2016, <http://foreignpolicy.com/2016/08/15/a-defense-of-obamas-middle-east-balancing-act-syria-russia-iran-ns/> (accessed 6 Dec. 2016).

¹³⁴ See, for example, Easton, N. (2014), 'Anne-Marie Slaughter on Obama's Failure to Recognize ISIS Extremism', *Fortune*, 17 October 2014, <http://fortune.com/2014/10/17/anne-marie-slaughter-on-obamas-failure-to-recognize-isis-extremism/> (accessed 6 Dec. 2016); Bolton, J. (2015), 'Putin Unleashed', *Weekly Standard*, 12 October 2015, <http://www.weeklystandard.com/putin-unleashed/article/1039611> (accessed 6 Dec. 2016); Rogin, J. (2016), 'Obama's Biggest Mistake Isn't Libya. It's Syria', *Bloomberg*, 11 April 2016, <https://www.bloomberg.com/view/articles/2016-04-11/obama-s-biggest-mistake-isn-t-libya-it-s-syria> (accessed 6 Dec. 2016); Ross, D. (2016), 'Why Middle Eastern Leaders Are Talking to Putin, Not Obama', *Politico*, 8 May 2016, <http://www.politico.com/magazine/story/2016/05/putin-obama-middle-east-leaders-213867> (accessed 6 Dec. 2016); Ghattas, K. (2016), 'The Democratic Party's Silence on Syria', *Foreign Policy*, 12 August 2016, <http://foreignpolicy.com/2016/08/12/the-democratic-partys-silence-on-syria/> (accessed 6 Dec. 2016); and Solomon, J. (2016), 'Why the Ayatollah Thinks He Won', *Wall Street Journal*, 19 August 2016, <http://www.wsj.com/articles/why-the-ayatollah-thinks-he-won-1471627970> (accessed 6 Dec. 2016).

¹³⁵ Shapiro, J. (2016), 'Obama's Syria Failure is a Perfect Case Study in How Bad Foreign Policy Is Made', *Vox*, 16 March 2016, <http://www.vox.com/2016/3/16/11244980/obama-syria-policy> (accessed 6 Dec. 2016); Goldberg, J. (2016), 'The Obama Doctrine'; Kristian, B. (2016), 'Obama's Drone Warfare Makes More Terrorists Than It Kills', *RealClearDefense*, 9 August 2016, http://www.realcleardefense.com/articles/2016/08/09/obamas_drone_warfare_makes_more_terrorists_than_it_kills_109683.html (accessed 6 Dec. 2016); and Mearsheimer, J. (2016), 'Donald Trump Should Pursue a Realist Foreign Policy', *National Interest*, 27 November 2016, <http://nationalinterest.org/feature/donald-trump-should-embrace-realist-foreign-policy-18502?page=show> (accessed 6 Dec. 2016).

¹³⁶ Sanger, D. and Haberman, M. (2016), 'In Donald Trump's Worldview, America Comes First, and Everybody Else Pays', *New York Times*, 26 March 2016, <http://www.nytimes.com/2016/03/27/us/politics/donald-trump-foreign-policy.html> (accessed 6 Dec. 2016).

¹³⁷ Fallows, J. (2016), 'Was Donald Trump Really Against the Iraq War?', *Atlantic*, 14 February 2016, <http://www.theatlantic.com/politics/archive/2016/02/donald-trump-says-he-was-against-the-iraq-war-thats-not-how-i-remember-it/462804/> (accessed 6 Dec. 2016); and Haberman, M. (2016), 'Donald Trump Questioned About Previous Positions on Libya and Iraq', *New York Times*, 6 June 2016, http://www.nytimes.com/2016/06/07/us/politics/donald-trump-questioned-about-previous-positions-on-libya-and-iraq.html?_r=0 (accessed 6 Dec. 2016).

¹³⁸ Knowles, D. (2015), 'Donald Trump Adds Saudi Arabia to List of Countries Ripping Off the U.S.', *Bloomberg*, 16 August 2015, <http://www.bloomberg.com/politics/articles/2015-08-16/donald-trump-adds-saudi-arabia-to-list-of-countries-ripping-off-the-u-s> (accessed 6 Dec. 2016); and Hensch, M. (2016), 'Trump: I Would Want to Protect Saudi Arabia', *The Hill*, 5 January 2016, <http://thehill.com/blogs/ballot-box/presidential-races/264748-trump-we-made-iran-a-power> (accessed 6 Dec. 2016).

¹³⁹ While realists such as Stephen Walt reject Trump as a standard-bearer, the later's views evoke – however clumsily – aspects of realist thinking. See Walt, S. (2016), 'Donald Trump: Keep Your Hands Off the Foreign-Policy Ideas I Believe In', *Foreign Policy*, 8 August 2016, <http://foreignpolicy.com/2016/08/08/donald-trump-keep-your-hands-off-the-foreign-policy-ideas-i-believe-in-nation-building-united-states/> (accessed 6 Dec. 2016); and Brooks, R. (2016), 'Donald Trump Has a Coherent, Realist Foreign Policy', *Foreign Policy*, 12 April 2016, <http://foreignpolicy.com/2016/04/12/donald-trump-has-a-coherent-realist-foreign-policy/> (accessed 6 Dec. 2016).

Can these ideas translate into coherent policy, grounded in genuinely new strategy? Trump's campaign rhetoric was inconsistent. He could, in the same speech, denounce regime change, military occupation and nation-building while insisting that the US should 'keep the oil' in Iraq and Libya after intervening there.¹⁴⁰ He rejected intervention in Syria, but endorsed no-fly zones there to protect civilians – something that the US would surely have to lead in implementing, over Syrian, Russian and other objections. While Trump railed against US interventions, he sharply criticized the Iran nuclear deal, which arguably reduces chances of yet another US-instigated regional war.

Beyond Trump's views, there is the potential influence of advisers in his administration who remain invested in Middle East primacy. Many take hardline, 'primacist' positions and, as the transition has unfolded, have assumed ever more prominence in the incoming administration's foreign policy apparatus. They include Vice-president-elect Mike Pence; incoming national security adviser Michael Flynn; Secretary of Defense-designate James Mattis; and Representative Mike Pompeo, Trump's nominee for director of the CIA. Increasingly, the balance of opinion on Trump's team favours muscular militarism against jihadis, intensified efforts to contain and undermine Iran, and cooperation with republican strongmen, whether secular (like Egypt's Abdel Fattah el-Sisi) or religious (like Turkey's Recep Tayyip Erdoğan).¹⁴¹

While Israeli, Saudi and other Gulf Arab elites remain uneasy about some parts of Trump's campaign rhetoric (e.g. on Syria), they are now more comfortable with his prospective presidency – above all because of his administration's anticipated hostility toward Iran. Trump's choice of Rex Tillerson as secretary of state may seem to counter these trends. But officials in governments who have dealt with Tillerson on Middle East matters say that his regional views tend to track those of Saudi Arabia and other US-aligned Gulf Arab states. He is unlikely to depart dramatically from the Trump team's emerging Middle East consensus. Moreover, Trump's choice of his long-time

business lawyer, David Friedman, a strong supporter of some of the most right-wing Israeli foreign policy positions, as ambassador to the country and of his son-in-law, Jared Kushner, as senior White House adviser (with Israel in his portfolio) suggests that Tillerson will not be in charge of that part of policy.

Trump's hardline advisers and his reactive impulses could steer his administration towards military interventionism. In this, he could follow the path of George W. Bush, who was elected in 2000 on a less interventionist platform than that of Al Gore, but reversed course on advice from neoconservatives and other hardliners in his administration and as a result of his own reaction to 9/11 – a fateful shift in approach that his ostensibly more realist secretary of state, Colin Powell, could not stop.

Astute scholars note that there are three main foreign policy camps in the Republican Party: nationalists (who back aggressive action against perceived security threats but disdain nation-building, humanitarian intervention and diplomacy with perceived adversaries); libertarian non-interventionists (who reject military intervention and open-ended hard power projection, partly because they see such undertakings as inimical to limited government and domestic civil liberties); and internationalists (including neoconservatives and other hardline primacists who want to proactively entrench US dominance). In his campaign, Trump united the nationalists and non-interventionists in a 'full-blown and politically successful assault on the party's dominant internationalist faction'.¹⁴² Since the election, he has been bringing internationalists back in. This may help neuter ongoing opposition from Republican circles that never – or only reluctantly – supported him. But it raises the odds that foreign policy will stay largely in line with interventionist orthodoxy, or that it will simply be incoherent.

So where will Trump come out on the most urgent challenges in the Middle East? As a candidate, he regularly urged (without offering specifics) increased military

¹⁴⁰ Tharoor, I. (2016), 'Trump's view of the Middle East would make sense if nobody lived in the Middle East', *Washington Post*, 15 August 2016, <https://www.washingtonpost.com/news/worldviews/wp/2016/08/15/trumps-view-of-the-middle-east-would-make-sense-if-nobody-lived-in-the-middle-east/> (accessed 6 Dec. 2016).

¹⁴¹ Flynn, for example, stresses what he sees as the threat of 'radical Islam' from jihadi actors like ISIS, yet his concern over Sunni jihadis is not just matched by but merges with deep animus against Iran. See Lobe, J. (2016), 'Flynn Has It In for Iran', *LobeLog*, 18 November 2016, <https://lobelog.com/lt-gen-michael-flynn-ret-has-it-in-for-iran/> (accessed 6 Dec. 2016); and Rosenberg, M. et al. (2016), 'In Trump's Security Pick, Michael Flynn, 'Sharp Elbows' and No Dissent', *New York Times*, 3 December 2016, <http://mobile.nytimes.com/2016/12/03/us/politics/in-national-security-adviser-michael-flynn-experience-meets-a-prickly-past.html?referer=https://t.co/W2IYo1vbBp> (accessed 6 Dec. 2016). As commander of US forces in the Persian Gulf, Mattis was 'let go' in 2013 because the Obama administration judged his views on Iran too hawkish. Like Flynn, Mattis claims Iran still seeks nuclear weapons and is part of the same radical Islamist threat as ISIS. Mattis is also very solicitous of the views of traditional allies like Saudi Arabia and Israel. See Lobe, J. (2016), 'Mattis on Iran: Belligerent, But Don't Tear Up Nuclear Deal', *LobeLog*, 25 November 2016, <https://lobelog.com/mattis-on-iran-belligerent-but-dont-tear-up-nuclear-deal/> (accessed 6 Dec. 2016); and Perry, M. (2016), 'James Mattis' 33-Year Grudge Against Iran', *Politico*, 4 December 2016, <http://www.politico.com/magazine/story/2016/12/james-mattis-iran-secretary-of-defense-214500> (accessed 6 Dec. 2016).

¹⁴² Dueck, C. (2016), 'Republican Party Foreign Policy: 2016 and Beyond', Foreign Policy Research Institute, 22 July 2016, <http://www.fpri.org/article/2016/07/republican-party-foreign-policy-2016-beyond/> (accessed 6 Dec. 2016). Clearly, Trump alienated many Republican internationalist elites; see *New York Times* (2016), 'A Letter from GOP National Security Officials Opposing Donald Trump', 8 August 2016, http://www.nytimes.com/interactive/2016/08/08/us/politics/national-security-letter-trump.html?_r=0 (accessed 6 Dec. 2016). See also Wright, T. (2016), 'Trump's 19th Century Foreign Policy', *Politico*, 20 January 2016, <http://www.politico.com/magazine/story/2016/01/donald-trump-foreign-policy-213546?o=1> (accessed 5 Jan. 2017).

action to 'destroy' ISIS and other jihadi groups.¹⁴³ Since the election, his advisers have said that his administration will increase airstrikes against jihadi targets in Iraq and Syria as well as loosen Obama's rules of engagement for such operations. They continue to rule out deploying more troops in either country. Some suggest that Trump would be open to cooperating with the Syrian government, which has the biggest contingent of ground forces in Syria. More neoconservative advisers say that his administration would press Sunni states such as Saudi Arabia to send troops to 'liberate' Sunni-majority areas in Iraq and Syria.¹⁴⁴

Since the election, Trump's advisers have said that his administration will increase airstrikes against jihadi targets in Iraq and Syria as well as loosen Obama's rules of engagement for such operations.

Trump has argued – in line with his broader opposition to regime change – that the US should stop seeking to bring down Assad.¹⁴⁵ His administration will almost certainly prioritize fighting ISIS over removing Assad, and will be open to cooperating with Russia against ISIS and other jihadi groups in Syria. But if Trump ever thought he had been 'double-crossed' by President Vladimir Putin, the chances of intensified US military action in Syria – including ground operations – could rise. Some Trump advisers anticipate that destroying ISIS will also require a bigger US initiative in Libya and Yemen, but offer no details as to what shape this would take.¹⁴⁶

Trump has been scathing about the Iran nuclear deal, at times saying he would 'tear up' or 'dismantle' the Joint Comprehensive Plan of Action (JCPOA) on becoming president. More often, though, he has said that he would not immediately pull out of it, recognizing that there will be little international appetite for scrapping the JCPOA so long as Iran complies. (Part of his critique even

noted Obama's failure to use the deal to create business opportunities for US firms in Iran.) Instead, Trump has offered two options: renegotiating the deal, or enforcing it so stringently that Iran concludes Washington is violating it and, therefore, pulls out – in his words, 'polic[ing] that contract so tough they don't even have a chance'.¹⁴⁷ He is indeed unlikely to pull the US out of the JCPOA unilaterally, but his administration will refrain from making sanctions relief under the deal more tangible for Iran, while looking for ways to 'implement' the agreement that Tehran will consider provocative.

Given the Trump team's hardline orientation towards Iran, there is little reason to expect his administration to follow up on his campaign statements suggesting interest in US–Iranian commercial interaction. The administration will explore ways to increase pressure on Iran over non-nuclear issues, such as its missile programme, which the Obama administration said does not violate the JCPOA. During the transition, Trump's team talked with Republicans in Congress about options for enacting new sanctions.¹⁴⁸ Individuals likely to hold influential positions in the administration say that more non-nuclear sanctions would be useful on their own and as a tool for pushing Iran to withdraw from the JCPOA.

During the campaign, Trump and his surrogates advocated more robust efforts to contain Iran. For example, he said that Iranian patrol boats in the Persian Gulf would be 'shot out of the water' if they 'taunt' US warships.¹⁴⁹ His team will explore multiple options for rolling back Iran's regional influence. While Trump says that he opposes regime change through US military intervention, his administration could make regime change part of its Iran policy by backing expatriate opposition groups. This is particularly relevant given that his inner circle contains highly paid spokesmen for the People's Mojahedin Organization of Iran (*mujahedin-e khalq* – MEK), including Newt Gingrich, John Bolton and Rudy Giuliani.¹⁵⁰

¹⁴³ Politico (2016), 'Full text: Donald Trump's speech on fighting terrorism', Politico, 15 August 2016, <http://www.politico.com/story/2016/08/donald-trump-terrorism-speech-227025> (accessed 18 Dec. 2016).

¹⁴⁴ Al Jazeera (2016), 'How Will President Trump Deal with ISIL, Syria and Iran', 12 November 2016, <http://www.aljazeera.com/programmes/insidestory/2016/11/president-trump-deal-isil-syria-iran-16111172319140.html> (accessed 6 Dec. 2016).

¹⁴⁵ Gass, N. (2016), 'Trump Pledges to Hit Islamic State, Not Assad', Politico, 20 May 2016, <http://www.politico.com/story/2016/05/trump-islamic-state-syria-223399> (accessed 20 Sep. 2016).

¹⁴⁶ Labott, E. (2016), 'Adviser Says Russia Crucial to Trump's Middle East Plans', CNN, 15 December 2016, <http://www.cnn.com/2016/12/15/politics/walid-phares-trump-middle-east-russia/> (accessed 18 Dec. 2016).

¹⁴⁷ Sherfinski, D. (2015), 'Donald Trump on Iran Nuclear Deal: "We Have a Horrible Contract, But We Do Have a Contract"', *Washington Times*, 4 September 2015, <http://www.washingtontimes.com/news/2015/sep/4/donald-trump-iran-nuclear-deal-we-have-horrible-co/> (accessed 6 Dec. 2016); and Saletan, W. (2016), 'Is Donald Trump the Only Leading Republican We Can Trust on Iran?', Slate, 19 January 2016, http://www.slate.com/articles/news_and_politics/politics/2016/01/donald_trump_is_the_only_serious_gop_candidate_who_hasn_t_promised_to_rip.html (accessed 6 Dec. 2016).

¹⁴⁸ Dyer, G. (2016), 'Trump Team Looks at New Non-Nuclear Sanctions on Iran', *Financial Times*, 2 December 2016, <https://www.ft.com/content/7d51f092-b821-11e6-961e-a1acd97f622d> (accessed 6 Dec. 2016).

¹⁴⁹ Harrington, R. (2016), 'Donald Trump Declares He Would Shoot Iranian Ships "Out of Water" If They Bother American Ships', *Business Insider*, 9 September 2016, <http://www.businessinsider.com/donald-trump-shoot-iranian-ships-2016-9> (accessed 6 Dec. 2016).

¹⁵⁰ Leverett and Mann Leverett (2013), *Going to Tehran*, pp. 318–20 and sources cited therein; and Mackey, R. (2016), 'Newt Gingrich Pals Around with Terrorists Saddam Hussein Once Armed', *Intercept*, 10 July 2016, <https://theintercept.com/2016/07/10/hey-donald-trump-heres-newt-gingrich-palling-around-terrorists-saddam-armed/> (accessed 20 Sep. 2016).

Trump's self-image as successful negotiator might prompt him to try mediating between Israelis and Palestinians. But his choice of Friedman – an opponent of the two-state solution and advocate of Israeli settlements – as ambassador to Israel, as well as his continued promises to move the US embassy to Jerusalem, underscores that he will not push outcomes seriously limiting Israel's strategic options. More generally, Trump has shown little or no interest in pressing long-standing US allies, such as Egypt, Saudi Arabia and Turkey, over their internal political conditions.

International implications

For most international constituencies, the US's Middle East policy will almost certainly become more confrontational and interventionist under Trump than it was during Obama's second term. At a minimum, the US is likely to expand and intensify airstrikes against ISIS, in ways generating more civilian casualties and 'collateral damage'. If so, there will be an upsurge in anti-American sentiment boosting jihadi recruitment not just in the Middle East but in the West too, and renewed refugee flows (especially to Europe). Heightened perceptions that Trump is anti-Muslim could also make some Middle Eastern states reluctant to cooperate with his administration. There could be greater US–Russian cooperation in Syria, in terms of both fighting ISIS and other jihadi groups and pursuing a diplomatic process aimed at a political resolution (which could eventually mitigate the conflict's negative ramifications for regional and international constituencies). But this depends on Trump and Putin maintaining minimally productive working relations.

On Iran, it is unlikely that Trump's administration will take regulatory steps facilitating more tangible sanctions relief under the JCPOA. For those in Europe, Asia and elsewhere eager to expand economic ties with and

increase energy supplies from Iran, this will be a source of ongoing frustration. It will also mean that Iran's economic and strategic relations with non-Western powers, like China and Russia, will develop faster and more extensively than those with Europe and Japan, as the former have more channels for financing trade and investment in the country uncompromised by residual Iran-related US financial sanctions.¹⁵¹ (South Korea is also creating channels to finance Iran-related trade and investment in euros.) Trump's administration will be more confrontational with Iran on multiple fronts: for example, with a deliberately antagonistic approach to JCPOA implementation, new non-nuclear sanctions and intensified efforts to contain Iran's regional influence. This will raise US–Iranian tensions, with potential escalatory fallout in the region, but the US will be encouraged in its more confrontational stance by Israel and Saudi Arabia.

Prospects for resolving the Israeli–Palestinian conflict will diminish even further. Israel's success at getting Saudi Arabia, the United Arab Emirates and other Arab states to cooperate with it against Iran has reduced (already attenuated) regional pressure on Israel to negotiate peace with Palestinians. Israeli cabinet members have assessed that Trump's election effectively will end US exhortations for a two-state solution.¹⁵² His administration is also unlikely to engage many of the region's biggest longer-term challenges, such as climate change, looming water shortages and growing risks of instability in Saudi Arabia.

All this means that, for Europe and Asia especially, political risk emanating from the Middle East will almost certainly grow more acute, along multiple dimensions, during Trump's presidency. As for the potential of US allies in Europe and Asia to influence the US's Middle East policy, his administration is likely to assign weight to their views on the region only when these overlap with its own agenda.

¹⁵¹ Leverett, F. and Mann Leverett, H. (2016), 'Iran After the Nuclear Deal: A Rising Power's Strategic Orientation', *China International Strategy Review*; and Miller (2016), 'A Defense of Obama's Middle East 'Balancing Act''.

¹⁵² Tamkin, E. (2016), 'Israel's Naftali Bennett: With Trump, "The Era of the Palestinian State Is Over"', *Foreign Policy*, 14 November 2016, <http://foreignpolicy.com/2016/11/14/israels-naftali-bennett-with-trump-the-era-of-the-palestinian-state-is-over/> (accessed 6 Dec. 2016).

9. Europe

Hans Kundnani

Key points

- The election of Donald Trump as president threatens to change radically the parameters within which European countries have acted for 70 years. In particular, the US security guarantee – the basis of European security and the precondition for European integration – has been thrown into doubt by Trump's criticism of, and refusal to commit to, the US alliance system.
- Trump's positive comments about the Putin administration exacerbate the current uncertainty surrounding EU policy towards its eastern neighbourhood, and may weaken the EU consensus on sustaining economic sanctions against Russia.
- Trump's other policy pronouncements also put the US in opposition to important European principles and objectives. In particular, his mercantilist approach to trade breaks with decades of US policy, and he has distanced himself from the US policy of nuclear non-proliferation.

The election of Donald Trump is nothing short of a disaster for Europe – not just because his presidency could lead to tensions with the US that would make the transatlantic rift during the first term of George W. Bush look mild, but because it threatens to radically change the parameters within which European countries have acted for 70 years. In particular, the US security guarantee – the basis of European security and historically the precondition for European integration – has been thrown into doubt by the election of Trump, who has criticized, and refused to commit to, the US alliance system. In other words, his election creates radical uncertainty about Europe's security.

This uncertainty could not have come at a worse time for Europe, which has been badly damaged by six years of internal conflict, and is now preoccupied with the question of the UK's relationship with the European Union and threatened by a revisionist Russia. Since the election of Trump, which was overwhelmingly opposed in Europe, there have been many calls for Europeans to pull together – and, as usual, some hopes that a crisis might force further integration.¹⁵³ In particular, there is now an urgent need for Europe to become more independent of the US in security terms. But there are reasons to think that, rather than

creating unity among Europeans, the election of Trump and the radical uncertainty about the international order this has created will further divide Europe.

Background

In the eight years since Barack Obama assumed the US presidency, the EU has been dramatically weakened by crises, prompted by external shocks, that have deepened fault lines between member states and raised fundamental questions about the viability of the European project itself. The euro crisis created a new division between creditor and debtor countries in Europe and raised huge economic and institutional questions that, six years after it began, have still not been resolved. In 2014, Russia invaded and illegally annexed Crimea, and destabilized eastern Ukraine. Then, in 2015, the EU was overwhelmed by a wave of refugees, above all from Syria, which further increased tensions between member states. Against the background of these crises, there has been a surge of support for extremist and Eurosceptic parties. In June 2016, the UK voted in a referendum to leave the EU altogether.

This series of crises created a dilemma for the Obama administration. It had sought to reduce US commitments overseas in order to focus on what some called 'nation building at home'. Michael Mandelbaum saw the US becoming a 'frugal superpower'.¹⁵⁴ At the same time the US sought to redeploy the resources it had to the Asia-Pacific region – in a shift widely termed the 'pivot'. In this context, the administration pushed Europeans, traditionally among the US's closest partners in solving global problems, to increase defence spending and to take greater responsibility for security in their own neighbourhood, including the Middle East and North Africa.¹⁵⁵ It largely outsourced its response to the Ukraine crisis to Europeans, and in particular to Chancellor Angela Merkel of Germany. But, as it became increasingly clear that Europeans were unable to cope on their own, the Obama administration was forced to take a series of steps designed to support them.

On the economic side, the centrepiece of the Obama administration's Europe policy was the Transatlantic Trade and Investment Partnership (TTIP), a proposed trade liberalization agreement. It was hoped that TTIP would produce growth on both sides of the Atlantic, but the pact was also touted as a kind of 'economic NATO' – a way of

¹⁵³ On European attitudes to Trump, see Pew Research Center (2016), 'Europeans express confidence in Obama and Clinton, but not Trump', 27 June 2016, <http://www.pewglobal.org/2016/06/29/as-obama-years-draw-to-close-president-and-u-s-seen-favorably-in-europe-and-asia/u-s-leader-confidence-web-version/>.

¹⁵⁴ Mandelbaum, M. (2010), *The Frugal Superpower: America's Global Leadership in a Cash-Strapped Era*, New York: PublicAffairs.

¹⁵⁵ See in particular two speeches by US Defense Secretary Robert Gates in 2010 and 2011, in which he spoke of the 'demilitarization of Europe' and warned of the dangers of a 'two-tiered alliance'. Gates, R. (2010), 'Speech at the National Defense University, Washington, D.C.', 23 February 2010, <http://archive.defense.gov/Speeches/Speech.aspx?SpeechID=1423>; Gates, R. (2011), 'The Security and Defense Agenda (Future of NATO)', Brussels, 10 June 2011, <http://archive.defense.gov/Speeches/Speech.aspx?SpeechID=1581>.

complementing the security relationship between Europe and the US with an economic 'pillar' that would allow both sides to 'write the rules for twenty-first century trade' and thus support the liberal international order.

At the same time the US responded to Russian revisionism with the European Reassurance Initiative, a significant redeployment of military resources to NATO's eastern flank – in effect, a partial reversal of the 'pivot'. In February 2016, Defense Secretary Ash Carter announced the quadrupling of US military spending on the initiative, from \$789 million to \$3.4 billion.¹⁵⁶

There was some frustration within the Obama administration about the inability of Europe to deal more effectively with its own problems. In particular, Obama implicitly criticized European 'free riding'.¹⁵⁷ Others in the administration also became increasingly worried about the effect of the Syria conflict and the refugee crisis on the political stability of Europe – a long-standing US interest. Secretary of State John Kerry expressed this worry most dramatically when he suggested that a 'massive migration into Europe' could 'destroy Europe' and 'end the European project' – something the US had 'a huge interest' in preventing.¹⁵⁸

Trump's policies

It is always difficult to predict the foreign policy of a new US president. But this time is different, including in terms of the uncertainty that Trump's election creates for Europe. It is not simply that he is more of an unknown quantity than previous presidents. Rather, it is that during the election campaign he questioned fundamental principles of US foreign policy that have been shared by all presidents going back to 1945. His statements suggest he has little interest in upholding the liberal international order and instead intends to define the US national interest much more narrowly by putting 'America first' – a slogan that echoes the isolationist movement of the early 1940s, though Trump

did not seem aware of it during the election campaign.¹⁵⁹ According to Thomas Wright, Trump 'seeks nothing less than ending the U.S.-led liberal order and freeing America from its international commitments'.¹⁶⁰

Most importantly from a European perspective, Trump has a visceral hostility towards the US alliance system that has defined transatlantic relations throughout the post-war period.

Most importantly from a European perspective, Trump has a visceral hostility towards the US alliance system that has defined transatlantic relations throughout the post-war period. This could be even more disastrous for Europeans than for US allies elsewhere in the world who might at first look more vulnerable. For example, Trump has been particularly critical of Japan's perceived 'free riding' on the US's security capabilities, and of the US–Japan Security Treaty of 1951.¹⁶¹ But his hostility towards Japan could be mitigated by his apparent hawkishness towards China, which may require him to maintain existing alliances in Asia as a way of balancing against China. In contrast, Trump is not at all hawkish on Russia – the main security threat to Europeans. He might even seek to strike a 'grand bargain' with Russia, in particular in order to cooperate with it against Islamic State of Iraq and Syria (ISIS) – a major priority for him and his emerging cabinet. This could in effect recognize a Russian sphere of influence in Europe.

When questioned during the campaign about his view of NATO and how he might respond to Russian aggression towards US allies in Europe, Trump made confusing and contradictory statements. At times he said that NATO 'may be obsolete' and that he would 'certainly look at' getting rid of it.¹⁶² At other times he talked about 'rethinking' the alliance and focused on reducing the financial burden to the US, saying it was 'costing us a fortune'.¹⁶³ He also said that he would decide whether to come to the aid of NATO

¹⁵⁶ US Department of Defense (2016), 'Secretary of Defense Speech: Remarks Previewing the FY 2017 Defense Budget', Washington, DC, 2 February 2016, <http://www.defense.gov/News/Speeches/Speech-View/Article/648466/remarks-previewing-the-fy-2017-defense-budget>.

¹⁵⁷ Goldberg, J. (2016), 'The Obama Doctrine', *Atlantic*, April 2016, <http://www.theatlantic.com/magazine/archive/2016/04/the-obama-doctrine/471525/>.

¹⁵⁸ *Ibid.*

¹⁵⁹ See Sanger, D. and Haberman, M. (2016), 'In Donald Trump's Worldview, America Comes First, and Everybody Else Pays', *New York Times*, 26 March 2016, <http://www.nytimes.com/2016/03/27/us/politics/donald-trump-foreign-policy.html?smid=tw-share>; Thomas, L. (2016), 'America First, for Charles Lindbergh and Donald Trump', *New Yorker*, 24 July 2016, <http://www.newyorker.com/news/news-desk/america-first-for-charles-lindbergh-and-donald-trump>.

¹⁶⁰ Wright, T. (2016), 'Trump's 19th century foreign policy', *Politico*, 20 January 2016, <http://www.politico.com/magazine/story/2016/01/donald-trump-foreign-policy-213546>.

¹⁶¹ *Ibid.*

¹⁶² CNN (2016), 'Complete Donald Trump Interview: NATO, Nukes, Muslim World, and Clinton', 23 March 2016, <http://www.bloomberg.com/politics/videos/2016-03-23/complete-trump-interview-nato-nukes-muslims-and-hillary>.

¹⁶³ See, for example, *New York Times* (2016), 'Transcript: Donald Trump Expounds on His Foreign Policy Views', 25 March 2016, <http://www.nytimes.com/2016/03/27/us/politics/donald-trump-transcript.html>; Rucker, P. and Costa, R. (2016), 'Trump questions need for NATO, outlines noninterventionist foreign policy', *Washington Post*, 21 March 2016, <https://www.washingtonpost.com/news/post-politics/wp/2016/03/21/donald-trump-reveals-foreign-policy-team-in-meeting-with-the-washington-post/>.

countries attacked by Russia only if they had 'fulfilled their obligations to us'.¹⁶⁴ It is this new conditionality of the US security guarantee that makes Trump very different from Obama, who also criticized 'free riding' allies, and from every presidential nominee from either of the two major parties since the founding of NATO in 1949.¹⁶⁵

Trump has also suggested radical change in other policy areas that would put the US in opposition to important European principles and objectives. In particular, he takes a mercantilist approach to trade that breaks with decades of US policy. Though his rhetoric has focused on the multilateral Trans-Pacific Partnership – a proposed trade pact involving a dozen Pacific Rim economies, including the US – it is safe to assume that TTIP, a bilateral deal between the US and the EU, which was already unpopular in Europe, is also dead. Trump has even threatened to take the US out of the World Trade Organization (WTO). He has also threatened to 'tear up' what he called the 'disastrous' Iran nuclear deal concluded in 2015 – the product of a European initiative that began during the Bush era and one of the few European foreign policy successes in recent years. Even if Trump does not follow through on this threat, the deal could unravel if the US were to impose new nuclear or non-nuclear sanctions on Iran. More broadly, he has distanced himself from the US policy of non-proliferation, another area in which he has broken with a bipartisan consensus that goes back decades.

Under President Trump, in short, the US's values are likely to diverge from those of Europe. There is a real danger that the Trump administration may not support the international rule of law or the liberal international order, which could lead to a more extreme version of the differences witnessed during the Bush era. Given that Trump seems to prefer authoritarian leaders like Vladimir Putin to democratic ones like Angela Merkel, it is also not clear whether the traditional US alignment, in Europe at least, with democracies that goes back to President Harry

Truman will continue.¹⁶⁶ Some even fear that, over the next four or eight years, the US could evolve away from liberal democracy into something more like 'illiberal democracy' or even authoritarianism.¹⁶⁷

International implications

Given the lack of clarity about Trump's ideas, and how off-the-wall some of his proposals are, any discussion of the implications of his foreign policy must be largely speculative. Much will depend on the make-up of his foreign policy team. As CEO of Exxon Mobil, Rex Tillerson opposed economic sanctions against Russia, though it is possible that, if he is confirmed by the Senate as secretary of state, he could take a different position. Some Europeans will be reassured by the nomination of General James Mattis as defence secretary. But the appointment of General Mike Flynn as national security adviser (a position that does not require confirmation) is alarming. Flynn appears to believe conspiracy theories and has regularly tweeted fake news stories.¹⁶⁸ He also has advocated closer ties with Russia and was paid to appear at an anniversary party for RT, the Kremlin-funded television station, where he was photographed sitting next to Putin.¹⁶⁹

The most fundamental question from a European perspective is how radical the new administration's approach to NATO will be. The danger is not necessarily that the US under Trump will formally revoke its commitment towards its allies, which would be hard to do even if he really wanted to do so – not least because of opposition among more traditional Republicans in Congress. Rather, it is that Russia could at some point test Article 5 of the North Atlantic Treaty and the US could fail to respond. Even the uncertainty about the possible outcome of such a test could be enough to tempt some Europeans to succumb to Russian coercion and thus to gradually hollow out NATO. Thus the US's allies could be forced to 'adjust to new realities'.¹⁷⁰

¹⁶⁴ Sanger, D. and Haberman, M. (2016), 'Donald Trump Sets Conditions for Defending NATO Allies Against Attack', *New York Times*, 20 July 2016, <http://www.nytimes.com/2016/07/21/us/politics/donald-trump-issues.html>; *New York Times* (2016), 'Transcript: Donald Trump on NATO, Turkey's Coup Attempt and the World', 21 July 2016, http://www.nytimes.com/2016/07/22/us/politics/donald-trump-foreign-policy-interview.html?_r=0.

¹⁶⁵ For Obama's criticism of 'free riding' allies, see Goldberg (2016), 'The Obama Doctrine'.

¹⁶⁶ See Shapiro, J. (2016), *The Everyday and the Existential: How Clinton and Trump Challenge Transatlantic Relations*, European Council on Foreign Relations, October, p. 5, http://www.ecfr.eu/page/-/ECFR190_-_THE Everyday AND THE EXISTENTIAL2.pdf.

¹⁶⁷ See, for example, Mounk, Y. (2016), 'Yes, American Democracy Could Break Down', *Politico*, 22 October 2016, <http://www.politico.com/magazine/story/2016/10/trump-american-democracy-could-break-down-214383>; Levitsky, S. and Ziblatt, D. (2016), 'Is Donald Trump a Threat to Democracy?', *New York Times*, 16 December 2016, http://www.nytimes.com/2016/12/16/opinion/sunday/is-donald-trump-a-threat-to-democracy.html?_r=0.

¹⁶⁸ See Priest, D. and Miller, G. (2016), 'He was one of the most respected intel officers of his generation. Now he's leading 'Lock her up' chants', *Washington Post*, 15 August 2016, https://www.washingtonpost.com/world/national-security/nearly-the-entire-national-security-establishment-has-rejected-trump-except-for-this-man/2016/08/15/d5072d96-5e4b-11e6-8e45-477372e89d78_story.html; Dreazen, Y. and Beauchamp, Z. (2016), 'Michael Flynn, Trump's national security advisor, believes fake news and partisan conspiracy theories', *Vox*, 19 November 2016, <http://www.vox.com/world/2016/11/19/13678070/michael-flynn-national-security-adviser-actual-job>.

¹⁶⁹ See Dreazen, Y. (2016), 'Michael Flynn, Trump's new national security adviser, loves Russia as much as his boss does', *Vox*, 17 November 2016, <http://www.vox.com/2016/11/17/13673280/mike-flynn-trump-new-national-security-adviser-russia-isis-obama-clinton-turkey>.

¹⁷⁰ Kagan, R. (2016), 'Trump marks the end of America as world's 'indispensable nation'', *Financial Times*, 19 November 2016, <https://www.ft.com/content/782381b6-ad91-11e6-ba7d-76378e4fe24>.

Given this new uncertainty about America's security guarantee, the most urgent priority for European states is to become more independent of the US in security terms. But it is difficult to see how they could do this. First, it would be extremely hard to increase defence spending quickly enough. Even if all EU members of NATO states were to immediately meet the alliance target of spending 2 per cent of GDP on defence, they would still depend on the US for security. In any case, key member states such as Germany, which spends around 1.2 per cent of GDP on defence, remain committed to gradual increases in spending – even after the election of Trump.¹⁷¹ Second, the UK, one of the two most important member states in terms of military capabilities, is in the process of leaving the EU. It remains to be seen how the election of Trump will affect negotiations with the UK, and in particular whether Britain's military capabilities will become a factor in these negotiations.

Beyond the question of Europe's ability to defend itself, huge uncertainty now surrounds EU policy towards its eastern neighbourhood. Since the beginning of the Ukraine crisis, the US has been more hawkish on Russia than most EU member states, imposing economic sanctions more quickly and going further with them, not least because the costs of sanctions were lower for it. Several EU member states such as Greece and Italy have repeatedly expressed scepticism about sanctions, and there have been regular concerns about whether the EU would roll them over every time the decision came for renewal. Now, however, the question is whether the US will maintain sanctions. Were it to ease or lift them – perhaps as part of a deal with Russia on Syria – it is likely that the fragile consensus within the EU would also break down.

Even if the US under Trump remains committed to the existing policy towards Russia, there is a danger of a more gradual unravelling of the liberal international order for which the EU stands and on which it depends. Particularly disastrous from a European perspective would be an unravelling of the trade order based on the WTO and of the nuclear arms control order based on the nuclear

Non-Proliferation Treaty. These changes could take place even if Trump's foreign policy turns out to be more moderate than feared. The radical uncertainty created by his election could itself lead other powers to take actions of their own. For example, allies and partners, particularly in Asia, unsure about the US's commitment to their security could seek to develop nuclear weapons. In that sense, the election of Trump is likely to accelerate the emergence of a 'post-American' world.

Europeans have always had an ambivalent attitude to US power. While they have benefited from the US security guarantee, some Europeans have also resented the 'hyperpower' and have dreamed that the EU could act as a kind of counterweight to it. Such hopes were part of the thinking behind the creation of the euro and the development of the European Security and Defence Policy. Some Europeans may therefore welcome the accelerated emergence of multipolarity that may be a consequence of the election of Trump. But a multipolar world is likely to be a more unpredictable and unstable one in which the EU, given its unresolved internal problems and limited military capabilities, would probably struggle.

Trump's election could also have consequences for the EU's internal dynamics and thus for the European project itself. Historically, the US security guarantee was the precondition for European integration. American power 'pacified' Europe – it 'muted, if not removed, ancient conflicts and shaped the conditions for cooperation'.¹⁷² The question is whether, given that the EU has not evolved into a full political union or become independent of the US in terms of security, the new doubt about its security guarantee could lead to a process of disintegration. Military power could even once again become a factor in relations between EU member states and, in the worst-case scenario, balance-of-power politics could return and security dilemmas could be reactivated – just as realist international relations theorists argued would happen after the end of the Cold War.¹⁷³

¹⁷¹ Chambers, M., Carrel, P., Siebold, S., Copley, C. and Martin, M. (2016), 'Merkel: Germany must boost defense spending, unlikely to meet NATO goal soon', Reuters, 23 November 2016, <http://www.reuters.com/article/us-germany-defence-merkel-idUSKBN1310R3>.

¹⁷² Joffe, J. (1984), 'Europe's American Pacifier', *Foreign Policy*, 54, p. 68.

¹⁷³ Mearsheimer, J. (1990), 'Back to the future: instability in Europe after the Cold War', *International Security*, 15: 1.

10. Afghanistan

Seth G. Jones

Key points

- While Afghanistan is unlikely to be high on Donald Trump's agenda, several key aides have long insisted that a focus on the country is important for preventing the resurgence of Al-Qaeda and other terrorist groups that could threaten the US.
- The administration will confront a fragile situation in Afghanistan. Political and security trends are concerning. The national unity government remains weak, the Taliban has increased its control of rural areas, the drug economy is resurgent, and corruption remains a significant problem.
- US policy is complicated by uncertainty over Trump's positions towards Pakistan and India. Several advisers have expressed concern over Pakistan's support for militant groups, and an interest in closer ties with New Delhi. Notwithstanding Trump's initially positive outreach towards Islamabad, limits to US/Pakistan trust are likely to be tested further in the next four years, affecting cooperation over Afghanistan.
- The Obama administration's repeated revisions to troop withdrawal plans created uncertainty over the US's commitment to Afghan security. If the US continues to decrease its military footprint, Kabul will likely face an emboldened insurgency as the Taliban attempts to push into urban areas. A burgeoning war would also likely increase regional instability as India, Pakistan, Iran, China, Russia and other regional powers moved to support a mix of Afghan central government forces, militias and insurgent groups.

has strengthened, with domestic revenues reaching 10.2 per cent of GDP in 2015.¹⁷⁶ Health indicators have also improved because of assistance from donor states and non-governmental organizations. Life expectancy has increased from 55 years in 2000 to 60 years in 2014, and the infant mortality rate has declined from 95 deaths per 1,000 live births in 2000 to 70 per 1,000 in 2013.¹⁷⁷ Afghans are also better educated. Youth literacy rates increased by 62 per cent for males and 32 per cent for females between 2009 and 2014, thanks to several developments that included rising primary and secondary school enrolment rates.¹⁷⁸

Yet the Trump administration will face serious challenges in Afghanistan. The Taliban has increased its control of territory in rural areas across the country, including in the provinces of Helmand, Uruzgan, Nangarhar and Kunduz. The Taliban's leaders have benefited from a sanctuary in Pakistan, where its senior *shura* (or consultative council) and regional *shuras* are based and where it receives support from Pakistan's Directorate of Inter-Services Intelligence (ISI). In addition, Afghanistan's national unity government remains fragile and marginally competent. World Bank data indicate that government effectiveness has improved somewhat over the past five years, but that Afghanistan is still among the bottom 10 per cent of countries on this measure worldwide. Corruption remains a significant problem, with Afghanistan ranking among the bottom 5 per cent of countries worldwide, and well below the average in South Asia, in terms of ability to control corruption.¹⁷⁹ Drug production and cultivation have also soared, with opium production increasing by 43 per cent and cultivation rising by 10 per cent between 2015 and 2016.¹⁸⁰

Since the overthrow of the Taliban regime in 2001, the US has spent vast resources – peaking at 100,000 troops in the country, with over 2,380 US military personnel killed and over \$109 billion provided in assistance – in an effort to stabilize Afghanistan and prevent it from becoming a launching pad for terrorist groups.¹⁷⁴

Today, Afghanistan boasts a wealthier, healthier and better-educated population than it did in 2001. Real GDP growth reached highs of 15 per cent in 2003, 16 per cent in 2005 and 21 per cent in 2009, though this has come down to an estimated 2 per cent in 2016.¹⁷⁵ The fiscal situation remains stable. Revenue collection by the government

Background

The administration of President Barack Obama had several objectives in Afghanistan. The first – and most important – was to prevent Afghan territory from once again being used to plan and launch terrorist attacks against the US, as it was for the attacks of 11 September 2001. In addition, the Obama administration focused on building the capacity of the government, including the security forces, so that Afghanistan could provide for its own security and deliver services to its population.

¹⁷⁴ Data from Livingston, I. S. and O'Hanlon, M. (2016), *Afghanistan Index*, 31 October 2016, Washington, DC: Brookings Institution, pp. 4, 9, 14.

¹⁷⁵ *Ibid.*, p. 20.

¹⁷⁶ World Bank (2016), 'Afghanistan's Sluggish Growth: The Inextricable Link Between Security and Development', 8 November 2016, <http://www.worldbank.org/en/news/feature/2016/11/06/afghanistans-sluggish-growth-the-inextricable-link-between-security-and-development> (accessed 19 Dec. 2016).

¹⁷⁷ United Nations (undated), '2015 Revision of World Population Prospects', <https://esa.un.org/unpd/wpp/> (accessed 23 Dec. 2016).

¹⁷⁸ UNICEF (2016), 'The State of the World's Children 2016 Statistical Tables', <http://data.unicef.org/resources/state-worlds-children-2016-statistical-tables/> (accessed 23 Dec. 2016).

¹⁷⁹ World Bank (2016), 'Worldwide Governance Indicators', <http://info.worldbank.org/governance/wgi/index.aspx#home> (accessed 23 Dec. 2016).

¹⁸⁰ BBC News (2016), 'Afghanistan Opium Production Up 43 Percent – UN Drugs Watchdog', 23 October 2016, <http://www.bbc.com/news/world-asia-37743433> (accessed 30 Dec. 2016).

The US was successful in degrading the core of Al-Qaeda in Pakistan, killing many of its senior leaders, including Osama bin Laden. Still, Afghanistan remains a haven for extremist groups. An Al-Qaeda affiliate, Al-Qaeda in the Indian Subcontinent, has a small presence in the country. Islamic State of Iraq and Syria (ISIS) also has a local arm, Islamic State–Khorasan Province, which controls limited territory in Nangarhar Province and has conducted attacks in Afghanistan and Pakistan. Fighters from other militant groups, such as the Tehreek-e-Taliban Pakistan and Lashkar-e-Taiba, are also involved in the insurgency in Afghanistan.

Most importantly, the Taliban remains a viable military and political organization with links to other extremist groups (such as the Haqqani Network and Al-Qaeda) and neighbouring states (for example, in its relations with Pakistan's ISI). The Obama administration focused on counterterrorism operations against Al-Qaeda rather than counter-insurgency operations against the Taliban, yet counterterrorism and counter-insurgency are deeply interlinked in Afghanistan. Territory controlled by the Taliban has been used by groups such as Al-Qaeda and the Haqqani Network to conduct terrorist operations.

The Obama administration also failed to fulfil its promise to withdraw all US forces from Afghanistan by the end of his presidency. In December 2009, President Obama announced that, while the US was sending 30,000 additional troops to Afghanistan, he would begin pulling out US forces by 2011. In June 2011, he declared that the drawdown would continue 'at a steady pace' until the US handed over security to the Afghan government in 2014.¹⁸¹ In December 2014, the president declared that 'our combat mission in Afghanistan is ending, and the longest war in American history is coming to a responsible conclusion'.¹⁸² But the war intensified, rather than subsided, with groups such as ISIS establishing a foothold in the country along with Al-Qaeda and the Taliban. In July 2016, President Obama revised his commitment to draw down the number of US troops by the end of 2016, announcing that roughly 8,400 soldiers would remain in the country as part of the NATO-led Resolute Support Mission.

Trump's policies

Donald Trump inherits a fragile situation in Afghanistan. He did not spend significant time outlining a strategy for the country or the region during the election campaign, and he made no comments about Afghanistan or Pakistan during the presidential debates. Still, he has been a strong proponent of a more aggressive effort against ISIS and other terrorist groups, which suggests that he may keep some US forces in Afghanistan as long as there are terrorist groups there that threaten the US. Several of Trump's appointees, such as incoming national security adviser Michael Flynn and Secretary of Defense-designate James Mattis, have extensive experience in Afghanistan. Flynn was the senior intelligence officer for the NATO International Security Assistance Force mission there, and has called for a more robust campaign against Islamist extremist groups.¹⁸³ Flynn has criticized the US intelligence community for being 'only marginally relevant to the overall strategy' in Afghanistan, and has argued that the US needed to employ more 'effective counterinsurgency methods' there.¹⁸⁴

Trump also noted that Afghanistan is important because of its proximity to nuclear-armed Pakistan. 'I would stay in Afghanistan,' he remarked in April 2016. 'It's probably the one place we should have gone in the Middle East [sic] because it's adjacent and right next to Pakistan which has nuclear weapons.'¹⁸⁵ Trump also spoke with Prime Minister Nawaz Sharif of Pakistan in a widely reported phone conversation after the election. The Pakistani account of the conversation had Trump saying that Pakistan 'is amazing with tremendous opportunities' and that 'Pakistanis are one of the most intelligent people'.¹⁸⁶ Still, Trump and several of his advisers have criticized the country for its ties to extremist groups and support a closer relationship with India. 'We're going to be best friends,' Trump said of India. 'There isn't going to be any relationship more important to us.'¹⁸⁷

Coming into office, Trump will find a strong consensus among influential generals, ambassadors and experts that the US should retain military forces in Afghanistan. An article co-authored by a group of experts and former officials on Afghanistan – including five former NATO

¹⁸¹ White House (2011), 'Remarks by the President on the Way Forward in Afghanistan', 22 June 2011, <https://www.whitehouse.gov/the-press-office/2011/06/22/remarks-president-way-forward-afghanistan> (accessed 30 Dec. 2016).

¹⁸² White House (2014), 'Statement by the President on the End of the Combat Mission in Afghanistan', 28 December 2014, <https://www.whitehouse.gov/the-press-office/2014/12/28/statement-president-end-combat-mission-afghanistan> (accessed 30 Dec. 2016).

¹⁸³ Flynn, M. T. and Ledeen, M. (2016), *The Field of Fight: How We Can Win the Global War against Radical Islamic and Its Allies*, New York, NY: St Martin's Press.

¹⁸⁴ Flynn, M. T., Pottinger, M. and Batchelor, P. D. (2010), *Fixing Intel: A Blueprint for Making Intelligence Relevant*, Washington, DC: Center for a New American Security, pp. 7, 23, <https://www.cnas.org/publications/reports/fixing-intel-a-blueprint-for-making-intelligence-relevant-in-afghanistan> (accessed 21 Dec. 2016).

¹⁸⁵ Fox News (2016), 'Donald Trump on His Foreign Policy Strategy', 29 April 2016, <http://www.foxnews.com/transcript/2016/04/29/donald-trump-on-his-foreign-policy-strategy/> (accessed 21 Dec. 2016). See also LoBlanco, T. (2015), 'Donald Trump backtracks on Afghanistan war: Not a mistake', CNN, 20 October 2015, <http://edition.cnn.com/2015/10/20/politics/donald-trump-afghanistan-war-not-a-mistake/> (accessed 30 Dec. 2016).

¹⁸⁶ Government of Pakistan (2016), 'PR No. 298 PM Telephones President-Elect USA', press release, Ministry of Information, Broadcasting and National Heritage of the Islamic Republic of Pakistan, 30 November 2016, <http://www.publicnow.com/view/1187BEEF37ED09A03C0DFE2E4D3330B1444168AD?2016-12-01-10:00:42+00:00-xxx584> (accessed 30 Dec. 2016).

¹⁸⁷ Bradner, E. (2016), 'Donald Trump on India: "We're Going to Be Best Friends"', CNN, 17 October 2016, <http://www.cnn.com/2016/10/16/politics/donald-trump-india-pakistan-mediate/> (accessed 30 Dec. 2016).

generals in Afghanistan, eight ambassadors and two former State Department special representatives to Afghanistan and Pakistan – argued that the next president should establish an ‘enduring partnership’ with Afghanistan. It concluded: ‘We should plan for a long-term American – and coalition – role in the country that avoids the recent pattern of nearly annual reassessments of whether the United States should stay, militarily and as a major donor.’¹⁸⁸

Despite such calls for more engagement, Afghanistan is unlikely to be at the top of Trump’s agenda. He has promised to focus on domestic issues, such as jump-starting the US economy, eliminating federal regulations against companies, establishing a tougher position on immigration, and lifting restrictions on the exploitation of US energy reserves. Still, Trump has promised to increase defence spending and to take a tough line on terrorist groups, several of which continue to operate in Afghanistan. When his administration turns its attention to Afghanistan, it will face several questions.

First, how involved should the US be in distant wars like the one in Afghanistan? After the election, Trump promised to stop US involvement in some wars, saying: ‘We will stop racing to topple foreign – and you understand this – foreign regimes that we know nothing about that we shouldn’t be involved in. Instead, our focus should be on defeating terrorism and destroying ISIS.’¹⁸⁹ But it is unclear whether this statement was directed at a country such as Afghanistan, which is a sanctuary for a small number of ISIS and other terrorist groups.

Second, if the US should remain involved in Afghanistan, what strategy should it pursue? And, third, based on this strategy, what should be the appropriate mix of diplomatic, military, intelligence, economic and other instruments of national power? Answering this last question should include outlining how many – and what type of – military forces and ‘enablers’ such as the Global Hawk intelligence, surveillance and reconnaissance aircraft should remain in Afghanistan; assessing necessary steps to promote political reconciliation with the Taliban; and deciding on the amount and type of economic and development assistance the US should provide.

Fourth, what role should Afghanistan’s neighbours and other outside powers play? Pakistan is among the most important regional players. It has occasionally helped the US to target Al-Qaeda on Pakistani soil by providing intelligence and allowing it to fly armed drones over its

territory, though the Obama administration’s unilateral operation that killed Osama bin Laden highlighted the limits to US/Pakistan trust and cooperation. Pakistan has also provided aid and sanctuary to militant groups such as the Taliban and Haqqani Network, which the US is fighting in Afghanistan.

International implications

Trump’s answers to these questions will have significant implications for Afghanistan, the US’s European allies, and regional actors such as Pakistan, India, China, Russia and Iran. Unlike in several countries where the US has deployed military forces, including Iraq, political leaders in Afghanistan want US forces to stay. Cutting its military presence further would end the US ability to train, advise, assist and accompany Afghan national and local forces. A withdrawal from the country would also have substantial implications for the role of the US’s allies in Afghanistan. At the Warsaw Summit in July 2016, NATO countries reaffirmed their commitment to ensuring long-term security and stability in Afghanistan.¹⁹⁰ Current regional leads of the Resolute Support Mission include Italy in the west of the country, Germany in the north and Turkey in the capital region. Further US downsizing or a withdrawal would likely cause other countries participating in the mission to downsize or pull out their forces altogether.

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Afghanistan’s neighbours and regional powers will also be affected by US decisions. Most of these countries generally prefer a stable government in Kabul, but one that protects their interests. India, Pakistan, Iran, Russia, China and other countries in the region launched the ‘Heart of Asia’ Istanbul process in 2011, which encouraged cooperation in such areas as counterterrorism, counternarcotics, trade

¹⁸⁸ Felbab-Brown, V. et al. (2016), ‘Forging an Enduring Partnership with Afghanistan’, *National Interest*, 14 September 2016, <http://nationalinterest.org/feature/forging-enduring-partnership-afghanistan-17708> (accessed 21 Dec. 2016). The full list of authors is as follows: Vanda Felbab-Brown, Bruce Riedel, John R. Allen, Michael E. O’Hanlon, Ryan Crocker, James B. Cunningham, Robert Finn, Zalmay Khalilzad, Ronald E. Neumann, David Barno, John F. Campbell, Stanley McChrystal, David H. Petraeus, James Dobbins, Marc Grossman, Seth G. Jones, Clare Lockhart, David Sedney and Earl Anthony (Tony) Wayne.

¹⁸⁹ Phillip, A. (2016), ‘Trump Formally Introduces Defense Nominee James ‘Mad Dog’ Mattis’, *Washington Post*, 6 December 2016, https://www.washingtonpost.com/news/post-politics/wp/2016/12/06/trump-formally-introduces-defense-nominee-james-mad-dog-mattis/?utm_term=.b06a59065ced (accessed 30 Dec. 2016).

¹⁹⁰ NATO (2016), ‘Warsaw Summit Declaration on Afghanistan’, 9 July 2016, http://www.nato.int/cps/en/natohq/official_texts_133171.htm (accessed 21 Dec. 2016).

and investment.¹⁹¹ But these countries have different – and often competing – goals in Afghanistan. India, for example, supports and has a close relationship with the Afghan government. It hopes to minimize Pakistan's influence and weaken terrorist groups, such as Lashkar-e-Taiba, with a presence in Afghanistan. Pakistan would prefer the establishment of a government in Afghanistan that is more closely aligned with Islamabad than New Delhi. At the moment, Pakistan has a tense relationship with President Ashraf Ghani's government in Kabul. Pakistan would also like to foster greater trade with Afghanistan. Iran seeks to assist its allies in Afghanistan's government and sub-state groups near the Iranian border; to prevent the presence of permanent US bases in the country; and to foster trade. A collapsing Afghan government would likely exacerbate the differences between the above-mentioned countries.

If the Trump administration decides to pull all or most US forces out of Afghanistan, this would likely intensify the proxy war already occurring there between nuclear-armed India and Pakistan. Such a development would also likely increase refugee flows out of the region. Afghanistan currently has the second-largest refugee population in the world, at 2.7 million, behind Syria with 4.9 million refugees.¹⁹²

The most important contribution the Trump administration can make may be to stop the constant set of deadlines to withdraw US forces and 'end' the war in Afghanistan. These statements have sent a signal to everyone with a stake in the country – the population, the government, other NATO countries, the Taliban and regional powers – that the US commitment is fleeting. Afghanistan's neighbours, including Pakistan, have continually had to plan for the day *after* the US leaves. The exit deadlines have also undermined the prospects for peace. While Taliban officials were intermittently willing to engage in peace talks, they were faced with a classic question of time horizons: why should they seek a peace settlement if their battlefield prospects and bargaining position might improve once US and other NATO forces withdrew? Based on the reality that terrorist groups continue to operate in the country, the Trump administration should establish an enduring partnership with Afghanistan and leave a small but durable military and diplomatic presence in the country based on mutual commitments. This approach may not quickly end the war, but a strategy that prevents the Taliban from overthrowing the government, pursues political reconciliation with those parts of the Taliban willing to negotiate, and targets terrorist and insurgent groups would be an important contribution to US, regional and international security.

¹⁹¹ Grossman, M. (2013), 'Seven Cities and Two Years: The Diplomatic Campaign in Afghanistan and Pakistan', *Yale Journal of International Affairs*, Summer, pp. 65–75, <http://yalejournal.org/wp-content/uploads/2013/06/YJIA-SUMMER-VOL8-ISSUE2-FINAL-A7-Grossman-Copy.pdf> (accessed 21 Dec. 2016).

¹⁹² UNHCR (2015), 'Facts and Figures about Refugees', <http://www.unhcr.ie/about-unhcr/facts-and-figures-about-refugees> (accessed 21 Dec. 2016).

11. Latin America

Jacob Parakilas

Key points

- Changes to immigration, trade and security policy – though generally considered the realm of US domestic policy – could have an outsized effect on Latin America under the new administration. Donald Trump’s potentially significant proposals in these areas (such as building a wall along the Mexican border) could have unintended impacts, including the degradation of US ties with countries in the region and the opening up of opportunities for China.
- Trump has promised to renegotiate or pull the US out of NAFTA and withdraw the US from the Trans-Pacific Partnership (which includes a number of Latin American countries). He is likely to gain congressional support for such proposals. This would have a profound impact on Mexico, in particular, and would chip away at the long-term pursuit of stronger economic ties with Latin America.
- Trump’s willingness to terminate the US’s rapprochement with Cuba will likely embolden Cuban hardliners, as well as disappointing other regional powers that have supported the Obama administration’s policy. However, because of the commercial opportunities arising from Cuba’s opening, there will be pressure from US businesses to roll back Trump’s more extreme proposals.
- Trump’s campaign rhetoric, combined with his pick for attorney general, Senator Jeff Sessions, indicates a willingness to take a hard line on drugs policy and focus more on attacking producers than on treating drug addicts. That position, with its echoes of earlier US counternarcotics policies, is likely to be resented in Latin America.

As the region physically closest to the US, Latin America occupies a unique position in its geopolitics and history. This means that, while Latin America policy was not the specific subject of much attention during the presidential election campaign, major policy initiatives likely to be pursued during the Trump administration will have notable impacts on the region, and in turn on the broader state of hemispheric affairs.

Many Latin American countries have close economic and cultural ties to the US. So, while little heed is paid in the course of US elections to specific Latin American policies, issues that are generally considered the subject of domestic

policy in the US have great importance in the region, especially immigration, trade and security policies.¹⁹³

Donald Trump has indicated that his goal as president will be to rebalance attention back towards a starker and more inward-looking definition of American interest. In doing so, he could make significant changes to precisely these policies that matter for Latin America.

Background

Latin America is generally not a pressing strategic priority for the US. Accordingly, presidential candidates often skip over the region entirely when crafting and disseminating their policy proposals. The candidates in 2016 were no exception – none put forth a distinct Latin America policy, and statements regarding how they would approach hemispheric relations were few and far between.

It was not always the case that Latin America was overlooked in this way. Interventions in the region go back to the first half of the 19th century, to a time when the US was relatively less engaged with the rest of the world. The legacy of those interventions continues to shape the relations between the regional hegemon and its neighbours. While the end of the Obama administration sees generally positive views of the US among Latin American publics, views among elites across the region are still fundamentally shaped by the sense that the US has overinvolved itself in the domestic affairs of its neighbours.¹⁹⁴

Neither George W. Bush nor Barack Obama made Latin America a strategic priority for foreign policy, but there was an element of continuity between their presidencies. Both advanced free-trade agreements, tried to find a middle ground on immigration, and prioritized counternarcotics and security assistance. Obama departed from Bush on Cuba and – marginally – on his willingness to steer the US security agenda in the hemisphere slightly further towards demand-focused, public health-led approaches to the drug war. There were significant rhetorical and stylistic differences between the two, but large parts of their agendas for the region were similar. The opening to Cuba apart, Obama was largely seen as evolutionary rather than transformational in Latin America.¹⁹⁵

President Trump will likely represent a significant departure from both of his predecessors. Between his general, more inward-focused and transactional approach to foreign policy and his willingness to abandon bipartisan

¹⁹³ Other global issues, such as whether the US meets the carbon emissions targets it accepted as part of the Paris Agreement, may also drive the progress of political relationships between Latin American governments and the US over the next four years. Other chapters of this report cover those issues in greater detail.

¹⁹⁴ See Parakilas, J. (2016), *Elite Perceptions of the US in Latin America and the Post-Soviet States*, Chatham House Report, London: Royal Institute of International Affairs, September 2016, <https://www.chathamhouse.org/publication/elite-perceptions-united-states-latin-america-and-post-soviet-states> (accessed 7 Dec. 2016).

¹⁹⁵ Ibid.

areas of cooperation, he raises the possibility of remaking the US relationship with Latin America in fundamental ways. But, on the other hand, his lack of expressed interest in the region suggests that he might simply reinforce the existing sense of US disinterest in its own neighbourhood, or outsource the relevant policies to officials who will maintain the broad contours of the status quo.

By the same token, though, Trump's first meeting with a world leader during the campaign was with President Enrique Peña Nieto of Mexico, and his emphasis on immigration and trade put a spotlight on some of the issues that tie Latin America and the US together most closely. It is not inconceivable that in the process of trying to remake immigration and trade policies, Trump might end up spending quite a lot of time dealing directly or indirectly with Latin America.

In either case, four issues are likely to be at the core of the Trump administration's approach to the region: Cuba, immigration, counternarcotics and trade.

Cuba

In 2014, the Obama administration began the process of ending the long-standing policy of isolating Cuba, reopening diplomatic relations, and easing regulations affecting how US citizens and businesses could interact with the country. The embargo on Cuba has been a long-standing sore point in relations between Latin American states and the US, used as a rallying cry for opponents of the US and complicating relations with its allies.¹⁹⁶ With diplomatic relations restored and key elements of the embargo eased, US businesses (especially in the tourism, agricultural and infrastructure sectors) will be keen to make inroads into a new market – though they still face numerous obstacles to doing so, not least the Cuban bureaucracy.

The recent death of Fidel Castro will likely have little impact on the overall direction of relations between the two countries, given that he had passed his executive powers to his younger brother Raúl in 2008, who has indicated that he will step down in 2018.¹⁹⁷ But the passing off the stage of the Castro brothers, who served as the symbol of Cuban resistance to the US, might undermine the arguments for Washington cutting ties once again under Trump.

Finally, the US naval base at Guantánamo Bay – particularly its use as a detention facility – remains a live issue between the US and Cuba, given that Cuba does not recognize the US's lease on the facility. Obama campaigned on a pledge to close the detention facility there, and while he was blocked from doing so by congressional opposition, he did manage to reduce the detainee population to less than 100 individuals.

Immigration

Immigration is a contentious issue between the US and Latin America, though its importance varies considerably throughout the region. In Mexico and large parts of Central America, immigration to the US is a major social and economic issue, given the high incidence of migrants moving to the US for economic and security reasons (though net migration of Mexican nationals has been negative for the last few years).¹⁹⁸ But migrants to the US also contribute to their home countries' economies directly via remittances.¹⁹⁹ The Obama administration has tried to strike a middle ground by increasing deportations of illegal immigrants (to the point where more people have been deported on his watch than under any other president);²⁰⁰ and simultaneously pushing for normalization of the legal status of immigrants whose parents brought them to the US when they were children, and other specific categories. While the normalization processes were stymied by court rulings,²⁰¹ the deportation programme encountered no such obstacles.

Fights over immigration to the US in recent years have become intertwined with other issues. The fact that criminal networks often operate the mechanisms of human trafficking and use the same routes for different types of contraband creates a security dimension, while arguments about the free movement of labour are deeply tied in with trade and economic policy issues. In all of these issues, the debate in the US is heavily focused on domestic impacts rather than on the way these policies shape trends elsewhere in the region – but those trends are real and significant nevertheless.

¹⁹⁶ Though usually referred to in the singular, the embargo actually consists of a package of legally mandated diplomatic and economic restrictions rather than a single piece of legislation. The Obama administration has largely done what it is capable of doing in terms of normalizing the relationship without congressional action.

¹⁹⁷ *Guardian* (2016), 'Prospective leaders of Cuba should retire at 70, says Raúl Castro', 17 April 2016, <https://www.theguardian.com/world/2016/apr/17/prospective-leaders-of-cuba-should-retire-at-70-says-raul-castro> (accessed 7 Dec. 2016).

¹⁹⁸ Gonzalez-Barrera, A. (2015), 'More Mexicans Leaving Than Coming to the U.S.', Pew Research Center, 19 November 2015, <http://www.pewhispanic.org/2015/11/19/more-mexicans-leaving-than-coming-to-the-u-s/> (accessed 7 Dec. 2016).

¹⁹⁹ Jordan, M. (2016), 'Remittances to Latin America, Caribbean Hit \$68.3 Billion in 2015', *Wall Street Journal*, 16 February 2016, <http://www.wsj.com/articles/remittances-to-latin-america-caribbean-hit-68-3-billion-in-2015-1455598863> (accessed 7 Dec. 2016).

²⁰⁰ Marshall, S. (2016), 'Obama Has Deported More People Than Any Other President', ABC News, 29 August 2016, <http://abcnews.go.com/Politics/obamas-deportation-policy-numbers/story?id=41715661> (accessed 7 Dec. 2016).

²⁰¹ De Vogue, A. and Kopan, T. (2016), 'Deadlocked Supreme Court deals big blow to Obama immigration plan', CNN, 23 June 2016, <http://edition.cnn.com/2016/06/23/politics/immigration-supreme-court/> (accessed 16 Dec. 2016).

Counternarcotics

In the absence of major traditional security threats, US security policy for Latin America has largely focused on unconventional threats. Primary among these is large-scale organized drug-trafficking. The character of the trade is inconsistent throughout the region, though. In Colombia and Peru, drug-trafficking filled the coffers of insurgent movements, while in Mexico and Central America traffickers tend not to be tied to larger political movements.²⁰²

Nevertheless, the US has long viewed the drugs trade primarily through the lens of security rather than that of public health, although the Obama administration took a few very limited steps towards changing that balance.²⁰³ But the ongoing securitization of drug-trafficking, and the absence of major conventional security threats in the region, means that the hard-power aspects of Latin America policy tend to focus on counternarcotics strategies, including major military aid packages for Colombia and Mexico and deployments of the US military and paramilitary forces throughout Central America and the Caribbean.

Trade

The Trans-Pacific Partnership (TPP) trade agreement, a centrepiece of Obama's economic agenda, includes Chile, Mexico and Peru. It is the latest in a long series of bilateral and multilateral free-trade agreements that the US has pursued to cement the important economic relationships with its Latin American neighbours.²⁰⁴ Chief among these is the North American Free Trade Agreement (NAFTA), which has bound the US, Canada and Mexico together since 1994.

But the political mood in the US has turned decidedly against free-trade agreements, with Trump and Hillary Clinton opposing the TPP during the election campaign (the former more fervently). Trump has made it clear that he will not sign the treaty, in effect killing it. Trump also focused a considerable amount of negative attention on NAFTA during the campaign and has promised to renegotiate it or pull the US out of the agreement completely once in office.

Trump's policies

Donald Trump did not articulate a coherent Latin America policy during the campaign, though in this he was hardly an outlier, as most presidential candidates do not emphasize their regional policies.²⁰⁵ Where they do, it tends to be with regard to regions that are seen as strategic priorities, such as the Asia-Pacific and the Middle East. But his positions on the issues most relevant to Latin America are fairly clear.

Trump's positions on immigration are best known. Part of his victorious strategy in the Republican primaries was simply to stake out the most extreme position on immigration among the 17 candidates and stick to it – hence his call for mass deportations, a wall along the southern border, and a complete halt to entire categories of immigration (though not all, given his repeated references to the 'beautiful door' in his wall).²⁰⁶ While the emphasis on his immigration promises has fluctuated over time, his basic premise – as an immigration hardliner – has remained entirely consistent since his emergence on the electoral scene.

While a full border wall is likely to remain in the realm of metaphor for logistical and financial reasons ... the basic securitized approach to immigration will remain a cornerstone of his administration's policy.

The basic premise of Trump's argument is that illegal immigration is an economic and security threat to US citizens and needs to be addressed with maximal force – hence his promise to construct a physical barrier the length of the US–Mexican border and to deport a huge number of undocumented immigrants. He has indicated a willingness to tax remittances or otherwise interfere with economic relations with Mexico in order to coerce its government into paying for the construction of the wall – and might employ variations on this negotiating strategy in US dealings with other Central American countries. While a full border wall is likely to remain in the realm of metaphor for logistical and financial reasons, and shortly after the election Trump seemed to back away

²⁰² It is worth noting that the criminal model of drug-trafficking is far more prevalent than the insurgent model at this stage. The two leading practitioners of the latter model in Latin America were Shining Path in Peru and FARC in Colombia. But both have diminished: Shining Path was a significant force in the 1980s and early 1990s, but never recovered from leadership losses at the hands of the government during the 1990s. And in November 2016, the Colombian government ratified a peace treaty with FARC that will bring the latter out of the field and (presumably) out of the drugs trade as well.

²⁰³ White House (2014), *The National Drug Control Strategy*, https://www.whitehouse.gov/sites/default/files/ndcs_2014.pdf (accessed 7 Dec. 2016).

²⁰⁴ According to the US Census Bureau, in 2015 the US exported \$152 billion worth of goods and services to South and Central America, and imported \$115 billion. US Census Bureau (2016), 'Trade in Goods with South and Central America', <https://www.census.gov/foreign-trade/balance/c0009.html> (accessed 7 Dec. 2016).

²⁰⁵ Hillary Clinton, for example, had more foreign policy experience as a former secretary of state than almost any presidential candidate in modern history, but her campaign website did not have a 'foreign policy' section – it had instead a 'national security' section that was dominated by counterterrorism issues. HillaryClinton.com (2016), 'Learn more about Hillary's vision for America', <https://www.hillaryclinton.com/issues/> (accessed 7 Dec. 2016).

²⁰⁶ DonaldJTrump.com (2016), 'Immigration', <https://www.donaldjtrump.com/policies/immigration/> (accessed 6 Dec. 2016).

from his promise to deport every undocumented immigrant in the country, the basic securitized approach to immigration will remain a cornerstone of his administration's policy. The choice of a former general who headed the US Southern Command, John Kelly, as secretary of homeland security suggests that Trump will maintain his securitized focus on immigration – though Kelly has also stressed the need for the US to support non-security goals in Central and South America, which suggests that those priorities will not be completely absent from the agenda.²⁰⁷

Trump's position on trade is related to his position on immigration. He has argued that illegal immigration from Latin America costs US citizens jobs and economic security, and that trade deals have incentivized American and multinational corporations to shift manufacturing facilities out of the US in search of cheaper labour in Mexico and elsewhere. As a result, at a minimum he will seek to fundamentally renegotiate free-trade agreements such as NAFTA, and he seems willing to scrap them entirely if the conclusion of the negotiations is not sufficiently positive for the US.

Trump has the statutory authority to withdraw the US from NAFTA if he so chooses.²⁰⁸ But in seeking to do so, he will face opposition from three sources. First, Canada and Mexico will oppose cancelling the agreement, and may be able to assuage Trump's concerns via renegotiation, something that both countries indicated a willingness to do in the immediate aftermath of the election.²⁰⁹ Second, the business community will likely oppose cancelling it and channel that opposition through Commerce Secretary-designate Wilbur Ross, who has previously expressed support for free-trade agreements. Finally, the president will face opposition from Congress, which on the whole is more pro-free trade than Trump (and more immediately endangered by political blowback if the sudden cancellation of trade deals results in an economic downturn and job losses). Given the multi-layered opposition to cancellation, the most likely outcome would be a renegotiated NAFTA rather than a full abrogation, but precisely what impact that will have on Mexican–American relations – and what knock-on effect it might have in Central America, given migration patterns – will depend on specifics that are not available at this point.

During the campaign, Trump was less doctrinaire on Cuba than some of his Republican primary opponents, especially Ted Cruz and Marco Rubio. Where they called explicitly for the complete rollback of all the Obama administration's actions on Cuba, Trump criticized the terms of the opening and suggested that it should be renegotiated (in line with his general predilection for thinking and speaking of international engagements in primarily transactional terms). When it comes to what his administration will do with regard to Cuba, he will also be subject to lobbying from business interests in the US who see an emerging opportunity that they would be loath to lose for political reasons.²¹⁰

Since the election, though, Trump has taken a harder line, suggesting immediately after Fidel Castro's death that he would be willing to 'terminate' the US's opening up to Cuba entirely if the Cuban government did not make significant changes. It is not clear what his terms would be in this, or whether it would mean a full reversion to the pre-2014 isolation policy.²¹¹ But Trump's rhetoric might strengthen hardliners in the Cuban government who are jockeying for position in the run-up to Raúl Castro's expected retirement in 2018. So while the most likely scenario is a selective tightening of measures against the Cuban regime rather than a comprehensive reversal of the easing of the embargo, a complete collapse of the relationship cannot be ruled out.

Guantánamo Bay is likely to re-emerge as a major issue under the Trump administration. Far from Obama's efforts to close it, Trump will at minimum keep the detention facility open, and may even send more detainees there. Doing so will inflame Cuban public opinion – and, likely, public opinion elsewhere in the Caribbean and Central and South America.

Finally, on counternarcotics, Trump has not said much. It is therefore difficult to anticipate what his approach will be towards, say, security assistance to the Mexican federal police or the use of aerial fumigation against coca fields in Colombia. But his instincts are relatively clear. Trump campaigned explicitly on a promise of 'law and order', and his pick for attorney general, Senator Jeff Sessions, takes a hard line on drug policy domestically.²¹² In the US, this means that the federal government will stop the Obama administration's lenient approach to

²⁰⁷ Landler, M. and Haberman, M. (2016), 'Donald Trump Picks John Kelly, Retired General, to Lead Homeland Security', *New York Times*, 7 December 2016, http://www.nytimes.com/2016/12/07/us/politics/john-kelly-dhs-trump.html?_r=0 (accessed 13 Dec. 2016).

²⁰⁸ Gollom, M. (2016), 'What would it take for Donald Trump to rip up NAFTA?', CBC News, 30 June 2016, <http://www.cbc.ca/news/world/donald-trump-nafta-trade-1.3657673> (accessed 6 Dec. 2016).

²⁰⁹ Mortimer, C. (2016), 'Canada and Mexico willing to open 'dialogue' with Donald Trump amid fears Nafta is in jeopardy', *Independent*, 11 November 2016, <http://www.independent.co.uk/news/world/americas/us-elections/donald-trump-nafta-jeopardy-free-trade-deal-canada-mexico-renegotiate-a7411056.html> (accessed 6 Dec. 2016).

²¹⁰ Cave, D., Ahmed, A. and Davis, J. H. (2016), 'Donald Trump's Threat to Close Doors Reopens Old Wounds in Cuba', *New York Times*, 28 November 2016, <http://www.nytimes.com/2016/11/28/us/politics/cuba-trump-obama.html> (accessed 7 Dec. 2016).

²¹¹ McCaskill, N. D. (2016), 'Trump threatens to 'terminate' U.S. opening with Cuba', *Politico*, 28 November 2016, <http://www.politico.com/story/2016/11/trump-cuba-relations-threat-231869> (accessed 7 Dec. 2016).

²¹² Ferner, M. (2016), 'Jeff Sessions Could Reverse Years Of Progress On Marijuana Policy', *Huffington Post*, 18 November 2016, http://www.huffingtonpost.com/entry/jeff-sessions-marijuana_us_582f58d5e4b030997bbf479c (accessed 7 Dec. 2016).

state-level marijuana legalization and other demand-led initiatives. This will have little impact on the drugs trade in the Western Hemisphere, but the dampening effect on broader regional efforts to change tack on counternarcotics will be significant. There has long been resentment in South America of the US's attention to foreign supply-side dynamics rather than to domestic demand-side dynamics with regard to the war on drugs. This position will only heighten this.

While the attorney general's powers outside the US are limited and subject to cooperation with other agencies (principally the Department of State and Department of Defense), a return to Reagan-style counternarcotics policies – prioritizing the use of military or paramilitary forces against drug producers and traffickers above all other mechanisms – would be controversial in the region. It might earn the US support from militaries and right-wing parties that have long backed aggressive, militarized counternarcotics campaigns, but it will draw widespread condemnation from a region that has long bristled at aggressive US intervention.

Latin America generally is unlikely to be a policy priority for Trump's administration. His view of the world is very much shaped by a narrowly defined sense of the national interest rather than a multilateralist view of the US as the centre of power networks. The defining characteristic of his policy towards the region is likely to be a heavy emphasis on security, but if that policy is carried out by officials like John Kelly who have experience of working in Latin America and an understanding of its complexities, it may ultimately be driven towards a set of positions not too dissimilar to those of previous administrations.

International implications

The impact of a new US policy in Latin America will primarily be felt in the region. If Trump's restrictions on immigration, a clampdown on nascent relations with Cuba, and the break-up of the TPP and NAFTA lead to a substantial degradation of ties with Latin America, it might open an opportunity for China to build on its ties in the region. But while China stands to benefit from a general US retreat from the world, its primary focus will be on reinforcing economic and political ties in its own neighbourhood, with the Middle East and Africa as secondary priorities. While China will probably make inroads in Latin America, especially through expanded membership of its Regional Comprehensive Economic Partnership platform, its strategic gains in Latin America are likely to be relatively minor by comparison to those it makes in other regions, at least in the short term. Similarly, Russia might see an

opportunity to build its ties in the region, but the precarious state of its public finances and its preoccupation with Eastern Europe and Syria will likely preclude any major initiatives.

The EU will almost certainly be distracted by changes in its security environment wrought by Trump's policies there. As a result, it will be unlikely to capitalize in any organized way on new business or political opportunities that might open up in Latin America, though European states and corporations might benefit in limited ways if Trump's policies in the region alienate the US's traditional partners.

Within Latin America, the political implications are much more significant. Mexican politics in particular will be sharply affected. If President Peña Nieto can prevent Trump from completely backing out of NAFTA, and in doing so forestall a shock to the Mexican economy, he might be able to salvage something from his meeting with Trump during the campaign, which was widely seen as a disaster at home. But his government will be under pressure to avoid caving in to Trump to pay for additional US border security measures. Mexico will be in an exceptionally difficult position – trying simultaneously to hold the line with the US on border security while accommodating it on trade. If the Mexican president fails to secure a reasonable settlement in those negotiations before the July 2018 election in his own country, this may open the way for a successor who is much more hostile to the US. And, regardless of the outcome of the Mexican presidential election, the potential impact on Mexico if Trump withdraws the US from NAFTA or institutes punitive measures against Mexico might blow back to a significant degree on the US: both in the form of depressed commerce (primarily in border states such as Arizona and Texas, but also nationally), and in unpredictable and potentially unmanageable flows of people and grey- and black-market goods.

During the George W. Bush administration, it seemed as though the ALBA bloc²¹³ might be the beginning of a regional movement of leftist opposition to US influence. But things have changed since then, with Venezuela now experiencing a profound economic collapse and Cuba in the midst of a generational political transition (which will be partly shaped by the policy of the Trump administration). The Central American and Caribbean states, which may see some of the most significant impacts from more aggressive US immigration and counternarcotics policies, are simply too small and politically disparate to mount effective resistance, and they will be forced to adapt on an individual basis.

Brazil, which sees itself as politically independent from (though not actively opposed to) the US, has meanwhile been distracted by economic slowdown and political scandals. Barring a major disaster in the region that the

²¹³ The Bolivarian Alliance for the Peoples of Our America is a bloc composed of 11 countries including Bolivia, Cuba, Ecuador and Venezuela. Initiated in 2004, it is intended to provide a political counterbalance to US influence in South America, Central America and the Caribbean.

US finds itself forced to cope with – such as the complete collapse of Venezuela, producing unmanageable conflict and refugee flows – Brazil is unlikely to see much change in its relations with the US, and as a result will limit its potential conflicts with the Trump administration.

This might all mean that the state of affairs in the Western Hemisphere will continue much as it has over the last few years. A Trump administration that largely maintains the status quo might make quiet, steady progress in Latin America, capitalizing on Obama's opening with Cuba and building stronger ties with its neighbours. It is not out of the question that this will happen by design, or by default due to inattention to the region.

But the more likely outcome is that the Trump administration will stall or reverse the gains made in the relationship with Cuba, take a much harder line on immigration, abandon trade deals and move towards an increasingly militaristic counternarcotics policy. In doing so, it might breathe new life into political opposition to the US across the region, including from unusual and unpredictable sources, especially those outside normal political channels. Latin America may not have been an issue in the 2016 presidential election but, if such resistance occurs on a significant scale, it could well be an issue in the next one.

12. Conclusion

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Arguably more than for any new president in recent memory, Donald Trump's foreign policy path is hard to predict. This is not just because the election campaign was largely devoid of any policy discussion, or because he has not been forthcoming about the details of how he intends to achieve his declared goals. It is also because he appears to be largely non-ideological and very willing to change his views over time. As someone without experience in any part of the government, he offers no political or legislative record to indicate how he will adapt his style to the slow pace of governing, and to the need to build political support for his agenda. All this said, as this report shows, there are things that can be predicted with some confidence.

Like every president before him, Trump will be constrained by the domestic and international contexts. So while there is a sense of some of Trump's objectives as he takes office, in many cases his ability to pursue them remains unclear.

The highly partisan and polarized US political environment will complicate the administration's policy plans. Democrats and Republicans are increasingly uncompromising and far apart on issues. Very significant divisions also exist within the Republican Party. While the House, Senate and presidency will be nominally under the control of one party, infighting between the major Republican factions in the coming months will ensure little real unity when it comes to legislation. Despite recent conciliatory noises from rival elements in the party, Trump is going to have to use astute politicking to get his agenda passed.

Two other major constraints, which are interlinked, will affect Trump at the domestic level. One is his need to answer to his voters, many of whom feel economically disenfranchised and may have unrealistic expectations in light of the populist tone of the election campaign – witness Trump's promise to restore coal-mining jobs to rustbelt states. The other is the outlook for the economy, where the challenges are currently fairly mild but are unlikely to remain so for long. These two factors will demand that he retain his focus on domestic issues, limiting his ability to fund international goals or externally focused assets such as the military.

Perhaps most profound, though, will be the limits that the international context imposes on the administration's ambition. Given the tone of the presidential campaign and Trump's apparent character, the perceived slow decline of Western leadership has suddenly accelerated in the minds of many international observers. Trump will have to act in an international environment in which the US political and economic model is no longer aspired to, its soft power and

moral leadership sorely damaged, and its reliability as an ally questioned. As a result, it will be far harder for the US to gain international support for its actions as other states hedge against it.

Trump also takes office at a time when the US's traditional allies, particularly in Europe, are badly distracted. The economic malaise still affecting parts of the EU, the turbulence from the UK's 'Brexit' vote, the surge in populism in many European states, and continuing questions about the long-term health and survival of the EU itself – all suggest that the US's European allies are unlikely to take on the mantle of Western leadership or be quick to partner it in international actions. Thus, the country's strongest asset – its partnerships and alliances – will be called into question.

As many have noted, Trump was an unlikely candidate for president. He is a political novice. He is irreverent and appears to take little notice of the international impact of his rhetoric. He favours unpredictability – a characteristic long noted as dangerous in foreign policy – and has a tendency towards inflammatory and escalatory rhetoric. He is transactional and short-termist in outlook, has little respect for long-standing alliances and partnerships, and appears not to prioritize upholding the liberal international order. He also takes office with a limited mandate, having lost the popular vote to Hillary Clinton.

At the same time, Trump has nominated a cabinet whose members in many cases bring meaningful foreign policy experience with them. His lack of ideology means that he is more likely to be flexible and change his mind in response to events. And, through his cabinet choices, he has already shown an awareness of his political environment and the need to bring factions together.²¹⁴ Moreover, while his rhetoric has at times been extreme, in truth his political path has not been atypical: he started at the extremes in the primaries, and shifted somewhat to the middle ground during the election. This presages the possibility that he might follow traditional patterns (again, as some of his appointments already suggest) and shift further to the centre for governing.²¹⁵

Thus, there are some grounds to believe that the presidency will be more orthodox and responsible than many observers expect. Trump's cabinet choices and more recent rhetoric, and the domestic and international constraints he will face, suggest that his foreign policy will track the tenets of traditional Republicanism (albeit at the more conservative end of the spectrum). The caveat to this is that the nature of the election campaign and Trump's rhetoric to date

²¹⁴ This is illustrated by his choices of Reince Priebus (a close friend of Paul Ryan) as White House chief of staff, General James Mattis as secretary of defence, and Scott Pruitt as head of the Environmental Protection Agency (who has long worked to shut it down).

²¹⁵ For example, during the primaries he described NATO as 'obsolete'. He subsequently modified his position during the election, describing NATO as necessary but in need of more allied support.

have changed the international context, with the West increasingly seen as being in relatively rapid decline, and the US itself regarded as an unreliable ally. The dynamics of US foreign policy may be affected as a result.

Unless events dictate otherwise, Trump is likely to maintain Obama's move towards a less internationally engaged US. Trump's election rhetoric was not isolationist, but nationalist: focusing intensely on US national interests, with allies expected to bear a greater proportion of the burden for defending common interests and international public goods. This does not mean, however, that adversaries can take this as *carte blanche* to act as they would like: if its interests are challenged, the US under Trump will awaken and the response could be muscular and swift.

The greatest uncertainty is how Trump might respond to a 'black swan' event such as the terrorist attacks of 11 September 2001. His apparent lack of a central thesis or ideology to organize and shape his beliefs, his lack of government record and experience of such events, and his thin-skinned temperament suggest that his response might be extreme and impulsive. While the institutions of the US government provide effective checks and balances under normal circumstances, they are weaker at times of emergency when standard processes are temporarily on hold. Thus, in the same way that 9/11 was a turning point for the US and its international role, an unforeseeable crisis during Trump's presidency could precipitate another momentous shift – requiring a fundamental rethink of the arguments laid out in this report.

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