

Think

new things

Make

new connections

Terms of Reference

Special Relationships in Uncertain Times:

**how can allies of the US best
prepare for the outcome of
November's elections, protect
essential shared interests, and
support the US?**

10-12 October 2024

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Terms of Reference

Summary

How can allies of the US best handle the potential outcomes of the US presidential elections in November? Some trends seem likely to remain regardless of the results – a rapidly growing economy, a vibrant technology sector, a broad foreign policy consensus that China and the Indo-Pacific is the key area of global competition, and an emphasis on US national interests over collective interest but in key areas where collective action is necessary, the different scenarios promise quite different futures. Responses of allies might well need to be similarly different. How can allies of the US work most effectively with it in these different scenarios, and with each other, on economic and trade issues and on climate goals? How can we sustain US support for Ukraine’s existential war against Russian aggression? And how do we make US and allied policy towards China as coherent as possible, whilst protecting our shared economic interests?

No matter how fraught American politics might become, the US will remain everyone’s special relationship. Its global weight in economic, defence and cultural terms ensures that. But allies will need to consider whether they should also increase coordination between themselves, working alongside rather than necessarily through the US. They will need to consider what channels are available and what new fora might be necessary. In Europe is the European Political Community gathering a potential way forward, for example? How can allies of the US coordinate East to West, linking the Indo-Pacific and the Atlantic? What are the implications for defence production and capabilities, economic and trade arrangements, and climate groupings? If the world is splitting into blocs what do we want them to look like, and what should the offer be to countries that do not want to be forced to choose between them? And finally, what should be done if there is a period of uncertainty? We are used to US democratic institutions being tested but, in the end, holding and delivering a definitive transition of power. What’s the role of allies and how can they help if this time is different and there is a disputed victory followed by a disputed Supreme Court judgement?

Detail

The extraordinary events of the attempted assassination of former President Trump and President Biden’s decision to withdraw from the race, and to endorse Vice President Kamala Harris as the Democrat candidate, have led to an extremely uncertain political environment with polls changing on a daily basis. Two quite different visions for the US are in contest and two starkly different candidates. There is a risk of unrest and violence whoever wins, and a contested result is a distinct possibility. The US is as politically polarised as ever, with President Trump’s calls for unity not lasting the length of his speech at the Republican National Conference and Vice President Kamala Harris coming out fighting, to the delight of her supporters.

Despite the stark differences, some aspects of the US’ trajectory and role in the world are unlikely to change. Whatever happens, tens of millions of Americans are going to be not just disappointed but fearful for their vision for the country and disillusioned with democracy.

The US's primary focus is likely to remain inward, with the secondary focus China. Inflation has left painful scars, but the American economy is accelerating, outstripping growth in many of its allies. The gap between the US and allies on technological innovation and its effective commercialisation is still growing. The US is more unified in its hawkish stance towards China than almost any of its allies, with a bipartisan focus on the Indo-Pacific as the dominant arena of global competition. American defence capabilities will also continue to dwarf those of its allies, certainly one to one, and in some areas the US outstrips all of its allies combined, at least until increased defence spending in Japan and Europe turns into capability.

Despite and because of all the points above, the relationship with the US will remain in a special category for every democratic country. That is no surprise for the UK but the same will remain true too for Japan, Germany, Canada, France, Poland, Australia and many other smaller countries. That said, in a fragmenting world, it may no longer be possible to steer a middle path of maintaining economic ties with China, while still retaining close economic, defence and security ties with Washington. Influence on US policy may be harder to bring to bear. It could be that the US comes to view its alliances more as transactional arrangements than true partnerships with long-term intrinsic value.

In this context should allies be thinking about the relationships between themselves as much as about their ties to the US? If so, to what extent do we have the right channels, mechanisms, and fora in place to discuss policy in parallel: can allies forge policy agreements without the US as ringmaster and facilitator to achieve consensus? Finally, what happens if the result of the election is inconclusive and American institutions, so often reliable under political pressure, fail to bring the debate to a close? How could allies best support the US in such a situation? How do they handle relations if power is contested, or the longstanding frameworks of federal power are disrupted?

The conference will look in the round at three sets of strategic issues. For the middle part of the discussion, we will break into three working groups to be able to look at these issues in more depth. We will define the exact focus and composition of the working groups when we have confirmation of who is able to take part.

Economic security and prosperity

How can the US and its allies develop a coherent economic approach to China? What will be the different challenges in developing a coherent allied strategy depending on the outcome of the election and how can they be best managed?

Whether under President Harris or President Trump, the US is likely to continue to press its allies to join it in de-risking supply chain reliance on China. This makes geopolitical sense for many but will bring short term economic costs and drive inflation. These potential costs come at the same time as pressures, both within countries, and externally from the US, to spend more on defence. A further pressure, from the European perspective at least, is that the US is now an even more powerful commercial competitor using huge subsidy programmes such as the ChiPs Act and the Inflation Reduction Act, attracting private investment not just from within US capital markets but from allies' economies too. (The US would argue that US economic dynamism and capital markets are more important factors than subsidies, and that the EU is a subsidising body too.)

One response is a more shared allied industrial strategy across the Atlantic and Pacific. Some in Washington are open to developing this. Others lean towards a more transactional and bilateral approach. How might a more integrated allied industrial strategy and economic statecraft (sanctions, investment screening and other tools) be developed? Would an integrated strategy be a good thing or would it further undermine the freedom of markets on which democratic prosperity (even if imperfect) has rested? What would an even more competitive and transactional US with even cheaper energy costs mean economically for allies?

What happens if there is a US and China trade war with tit-for-tat tariffs? How might such a trade war affect allies and how could they coordinate with each other and the US to try to reduce damage to economies? Can we reform the international rules based economic system to deal effectively and fairly with the challenges of China's massive non-market presence in the global system and, if so, how can allies work with the US to achieve this? Or is some period of balkanisation of the global economy inevitable, and if so, how deep will it go, and what will the implications be for allies of the US? What blocs might form? What is the offer of the US and allies to countries that do not want to be pushed into one bloc or another?

Sustaining progress on climate change

Progress on climate action still relies heavily on US leadership. Under President Biden US-China negotiations have made some progress on reduction of greenhouse gas emissions. The IRA has provided a powerful domestic stimulus to the green transition under the guise of industrial policy to restore the US' industrial capacity and employment. Would President Harris mean continuity on climate? Under a second term by President Trump would there be a second withdrawal from the Kyoto Treaty, along with a continued focus on industrial development and reduced regulation of extractive industries with climate action de-prioritised? President Trump has certainly made clear that cheaper energy will be a major goal: "Drill baby, drill".

How should allies of the US coordinate and act to sustain climate progress in these quite different scenarios? Should they copy the US model of subsidies and investment for green technology, and, if so, how do they co-ordinate with each other and with Washington to avoid counter-productive over-demand on critical mineral resources and other supply chain issues? How can allies work together to make genuine progress on rolling out green technologies? Is there a place for shared industrial strategies, and friend-shoring? Can effective climate action and geopolitical competition be combined, or is global multilateral agreement with China really the only way forward? And to what extent could cooperation with the US on climate action continue at the state and city level if the federal government reduced its engagement?

Defence and deterrence

The US has by far the most capable military in the world. Its military expenditure sits at over \$876 billion each year, 3.5% of GDP, exceeding that of any other nation. Its reach and deployments are truly global, its high-end capabilities without equal, and it is able to sustain engagement in multiple theatres at once if it so chooses. Its investment in defence R&D

alone is roughly three times the size of the total defence budget of France, and as a result it has an energetic defence industrial sector that delivers capabilities at a scale and depth far beyond those of its allies. It cannot deliver truly global reach without the basing, support and other logistical functions that allies offer; but the entanglements that those allies bring are increasingly resented in US domestic politics.

Similarly resented is the failure, as a bipartisan consensus in Washington sees it, of European allies to invest remotely sufficiently in their own defence over a prolonged period. This has had two principal consequences: first, Europe is unable to support Ukraine effectively on its own; second, the efforts made to date have stretched European stockpiles and industrial capacity to breaking point. As Ditchley's May 2024 conference noted, NATO's list of requirements is long and cannot be met at existing spending levels. Many NATO members do not have the capabilities they offer to the alliance on paper. In Washington there is a sense – most strongly articulated by President Trump but felt in many other quarters – that Europe has been free-riding for too long.

Meanwhile US allies in the Indo-Pacific watch closely, with the conduct and outcome of the war in Ukraine seen as deeply influential. Taiwan, and from the opposite perspective China, want to know how much support would be forthcoming from Washington in a crisis, and how politically committed US leaders are to securing democracies far from home. US allies in the region also have relationships with China that physical, economic and social geography make harder to reduce than Washington might like. This applies to Japan too but the response there has been to announce a doubling of its defence budget by 2027, which would make it the world's third largest military spender after the US and China.

In this environment, how can allies of the US work together to look after their own interests while simultaneously encouraging US commitment to the defence of democracies? What can structures like AUKUS and the Quad do to encourage US engagement? What does burden sharing and being a good ally look like on defence, and in what areas and by what means should allies forge their own path? How can long-term US commitment to the defence of Ukraine and of Europe be sustained against the backdrop of resentment and waning interest? The deepening Chinese relationship with Russia offers clear evidence that the war in Europe cannot be separated from the geopolitical competition in the Indo-Pacific: China is standing by Russia for strategic reasons. How can this argument best be made, and by whom, to whomever is in the White House? How can allies in Europe support and learn from those in the Indo-Pacific, and vice versa? And are there any particular risks for nuclear deterrence and for the US nuclear umbrella in either theatre that should be considered, and what might be the role of allies in addressing them?