



## What if the EU Invited Canada to Join Its Bloc?



By John Hulsman , President and Managing Partner of John C. Hulsman Enterprises, and Boris Liedtke , INSEAD Emerging Markets Institute Distinguished Fellow

**Trump’s trade war opens the door to a move that would change the geopolitical game entirely.**

*“This is dumb. Europe, Canada, and Mexico are not China, and you don’t treat allies the same way you treat opponents.”*

*- U.S. Senator Ben Sasse, Republican from Nebraska, regarding President Donald Trump’s trade strategy*

The vast majority of economic theorists would agree that in a trade war, all countries involved lose out. Despite fantastical claims to the contrary by the White House, a trade war is not winnable. However, the United States’ bellicose trade policy towards its allies – the European Union, Canada and Mexico – could potentially lead them to a historic geopolitical victory, as long as they are willing to make a bold move.

President Trump's negotiation style has been highly consistent throughout his business career and presidency so far. It rests on two pillars, known to all professional negotiators. The first one – the anchoring strategy – consists of making a lopsided first offer, thereby forcing the counterparty to start the negotiation farther away from its core position.

The second pillar is about leveraging the counterparty's best realistic alternative (in the lingo: BATNA, or best alternative to a negotiated agreement). Once a negotiator knows their counterparty's best realistic alternative if a deal is not struck, they can exploit it by offering something that's only marginally better. In such a case, the counterparty has no choice but to walk away from the offer temporarily, find a better realistic alternative or improve on its position. Once that is done, the trick is to re-anchor the negotiation in one's favour when talks resume.

Recently, Trump used anchoring in trade negotiations with Canada, the EU and Mexico by unilaterally imposing tariffs on steel and aluminium. The knee-jerk reaction of these countries is to counter this with their own punitive tariffs and then seek negotiations, hoping to garner a deal superior to their best realistic alternative (with a high chance that the outcome won't be far from the Trump administration's ideal). Meanwhile, consumers will face higher prices, workers on both sides of the Atlantic will lose their jobs and economic theorists will be proven right – no one wins a trade war.

### **An opportunity handed on a silver platter**

If U.S. allies go the traditional route, they will miss a historic opportunity. With a little imagination, they could use Trump's foolish mistake to change the game entirely. At the very least, they would substantially improve their best realistic alternative in future talks with the U.S.

Instead of playing tit-for-tat with a negotiator like Trump, the EU could offer Canada a fast-track opportunity to join its trade bloc. Canada would quickly replace its lost U.S. trade relationship with access to an even larger consumer market in Europe. Geo-strategically, the EU would gain a foothold on another continent instead of losing global influence through Brexit.

Recent history should refute scepticism about the EU's ability to expand to the Americas. During the 1990s and 2000s, the EU took in formerly Communist countries, some of which remain further removed from Brussels than rule-of-law-loving Canada.

Inviting Canada to apply for EU membership would inevitably trigger an anguished, overdue and fundamental foreign policy discussion in Washington. As NAFTA inevitably breaks up – due to unrealistic demands on Mexico, and the likelihood of leftist politician Andrés Manuel López Obrador winning the Mexican presidential election in July – America’s southern neighbour might even seek to join this alliance over time. Geo-strategically, this would herald the birth of a new multipolar era.

### **The end of the Monroe Doctrine?**

In 1823, U.S. Secretary of State John Quincy Adams formulated the Monroe Doctrine, which became the bedrock of U.S. foreign policy. In essence, it asserted American political primacy in the Western Hemisphere. In particular, European and other powers were to be kept out of the U.S. backyard.

The doctrine has helped Mexico and Canada in terms of national security and trade but it has also severely restricted their foreign policy options. Since taking office, Trump has corroded the doctrine’s relevance by calling military alliances into question and now hacking at NAFTA.

The time is ripe for the EU to pounce. In many ways, Canada finds itself a ‘European’ country marooned on the North American continent, in terms of its cultural, political and economic mores. Foreign policy experts joke that Canada would feel more at home if it were situated between Belgium and the Netherlands. Yet geography has errantly placed it north of the U.S.

While Canada can’t do much about its location, Trump has opened the door for a bold strike that would shift Canada back to Europe’s sphere of influence – reversing the Monroe Doctrine.

### **Equal negotiating partners**

At a minimum, such an initiative would substantially improve the best realistic alternative of Canada, Mexico and Europe in any future trade negotiations with the U.S. Instead of seeing themselves as vassal states, Canada and Mexico would sit down with the U.S. as negotiating equals. Trump would get that his feckless declaration of a trade war on his country’s own allies is a ruinous policy of geopolitical isolation, working to the advantage of the EU.

Trump is singlehandedly taking an axe to the old international order. However, with geopolitical creativity and will, a new and better one could emerge from the ashes.

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