



Strategic Security Analysis

**Geoeconomic Turn in the US-EU
Relationship**

Ali Ahmadi





The Geneva Centre for Security Policy

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Key points

- Donald Trump's second term as US president has transformed transatlantic economic relations from a 75-year partnership framework into a transactional system where the United States is weaponising market access to compel European concessions. The Turnberry framework agreement should be understood not as a resolution of current US-EU tensions, but as a template for ongoing geoeconomic coercion.
- The Trump administration is employing a coherent strategy combining calibrated escalation, manufactured uncertainty and explicit trade-security linkages. Rather than policy chaos, these represent deliberate tools that exploit Europe's structural vulnerabilities while maintaining domestic US political sustainability.
- Unlike Trump's first term, economic and security policy are now explicitly fused (forming a trade-security nexus), creating a "double jeopardy" problem for European governments, which must simultaneously absorb tariff-induced GDP losses while increasing defence spending, making European strategic autonomy fiscally impossible in the near term.
- European strategy must start by acknowledging that the United States will maintain leverage superiority in the US-EU relationship for the foreseeable future. This means that Europe must optimise its position within constraints rather than seeking parity with the United States, and accept elevated baseline friction as normal rather than aberrant.



Introduction

Donald Trump's second term as US president has fundamentally restructured transatlantic economic relations from a 75-year partnership framework into a transactional system where the United States is weaponising market access to compel European concessions. The 27 July 2025 Turnberry framework agreement settled this chapter of the US-European Union (EU) trade dispute. Europe made significant concessions, while the United States agreed to reduce tariffs to 15%. The concern is that the posture and negotiation strategy may be converted into a framework for ongoing geoeconomic coercion.

To be clear, none of this is to argue that the Trump administration's trade policy in its totality has been beneficial for either the global economy or the United States. Regardless of how one evaluates the goals of Trump's tariff campaign, it is clear that neither the desired increase in manufacturing investment nor the substantial tariff windfall that could neutralise US debt and deficit problems has materialised.¹ Instead, inflation has edged upwards, as economists warned would be the case if tariff uncertainties were introduced and the growth of the US economy is heavily premised on an artificial intelligence (AI)-related data centre construction boom that many regard as likely to be a bubble.²

However, Trump's approach so far seems to be a coherent, politically sustainable strategy to extract maximum value from alliance relationships through deliberate escalation, manufactured uncertainty, and the explicit fusion of economic and security policy. As Canadian prime minister Mark Carney has put it, Trump is monetising US hegemony,³ and it is important to understand the steps with which this is occurring.

While the ad-hoc nature of decision-making in the White House and breakdown in traditional policy processes come with many drawbacks, the United States' structural economic and political advantages over Europe more than compensate, creating an opportunity for coercion. The analysis that follows will examine trends in the White House's decision-making on economic and tariff conflicts with the EU and assess how they interact with Europe's economic and political deficiencies.

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The escalation ladder as a negotiating weapon

Trump's tariff policy follows a calibrated escalation pattern designed to maximise pressure while maintaining negotiating space for "concessions" that nonetheless extract unprecedented value. The 2 April 2025 "Liberation Day" declaration represented the escalation's centrepiece, imposing a baseline 10% tariff plus 20% "reciprocal tariff" on EU goods and a 25% automotive tariff. The announcement triggered the second-largest S&P 500 point loss in history and the largest Nasdaq point loss ever, with global market losses exceeding US\$5 trillion over two days.⁴ The Trump administration almost certainly did not mean to cause this level of economic disruption, at least in the US market. But, functionally, market disruption served as a demonstration of power rather than an unintended consequence. Trump and his team had previously been seen as too beholden to market interests and the performance of the Dow Jones Industrial Average to engage in such chaotic actions. Their willingness to tolerate the overall trajectory of the policy made clear that this was no longer the case.

Trump's team recognised that financial chaos creates immediate pressure on political leaders from business constituencies, shortens negotiating timelines as companies demand clarity, establishes urgency that favours the party willing to maintain the chaos, and provides talking points about the economic costs of "European intransigence". As early as April 2025, the White House was expressing confidence that continued deadlock would result in pressure on European capitals to make deals, while the Trump administration could afford to wait.⁵ The steel and aluminium escalation pathway illustrates the deliberate nature of Trump's approach. Starting at 25% in March 2025, tariffs on these metals doubled to 50% in June when European retaliation packages approached implementation.⁶ In August, coverage expanded to 407 derivative product categories, including household appliances, machinery, wind turbines, construction materials and electrical steel for electric vehicles.⁷ Each escalation served the dual purpose of creating new pressure points while providing negotiating chips that were theoretically withdrawable in exchange for concessions.

Manufacturing uncertainty as a strategic tool

Trump's approach deliberately cultivates policy uncertainty as a form of negotiating leverage rather than treating predictability as a diplomatic virtue. The constantly shifting tariff threats, contradictory statements from different administration officials, and refusal to commit to fixed positions create an environment in which European planners cannot develop coherent response strategies because the definition of the problem continuously changes.⁸ The pharmaceutical sector trajectory exemplifies the coercive effects of manufactured uncertainty. The initial Liberation Day announcement exempted pharmaceuticals. Then, on 8 July, Trump threatened a 200% tariff on drugs during a cabinet meeting. Subsequently, he called for a 100% tariff on branded or patented pharmaceuticals from firms that were not "building" new production hubs in the United States.

At the beginning of October, the Trump administration indicated it would not immediately be moving ahead with the enforcement of these tariffs. In the meantime, specific agreements created special tariff rates for individual countries.⁹ Ambiguity persisted on actual implementation, forcing pharmaceutical executives to simultaneously plan for multiple contradictory scenarios.

This uncertainty imposes massive costs on European businesses through multiple mechanisms. Companies must simultaneously prepare best-case,

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Trump's systematic preference for bilateral negotiations over multilateral engagement serves strategic purposes beyond ideological disposition against international institutions.

moderate-case, and catastrophic scenarios, multiplying planning costs and diverting resources from productive investment to contingency preparation. Supply chain decisions requiring months or years of lead time become impossible to optimise when the policy environment shifts from week to week, while executive attention is focused on crisis management rather than strategic development.

European negotiators cannot develop coherent packages to address US demands because these demands remain fluid. Business constituencies pressure European governments for clarity and rapid deal-making regardless of the terms, as uncertainty itself becomes more costly than bad news. European public opinion and investor sentiment grew fatigued from the constant crisis atmosphere, creating political pressure on leaders to pursue certainty instead of challenging Washington. Individual EU member states and companies then pursued parallel direct negotiations with the White House that may have undermined the EU's position in negotiations.

In the Trump administration, Treasury Secretary Scott Bessent has emphasised economic growth and negotiated outcomes; Commerce Secretary Howard Lutnick advocates aggressive tariff maximisation; Trade Representative Jamieson Greer pursues bilateral deals; while Trump himself undercuts all three with a series of unpredictable pronouncements. European negotiators face the impossible challenge of determining which faction speaks authoritatively, which commitments will hold, and whether agreements with one official will be honoured by others or repudiated by Trump.

Bilateral coercion versus multilateral solidarity

Trump's systematic preference for bilateral negotiations over multilateral engagement serves strategic purposes beyond ideological disposition against international institutions. Bilateral contexts maximise US leverage through power asymmetries and effectively prevent collective counterweight formation.

Italian prime minister Giorgia Meloni's decisions to attend Trump's 20 January 2025 inauguration (the only EU leader to do so) and become the first EU leader to meet him after the announcement of tariffs created a special relationship with the president. Trump called Meloni a "fantastic woman",¹⁰ while Italy's trade surplus with the United States received relatively gentle treatment compared to threats against France, Germany or Spain.

Germany's position illustrated the potency of bilateral pressure even against major economies. With exports to the United States accounting for 12.5% of total exports and 4% of gross domestic product (GDP), with the automotive sector facing potential devastation, and after three consecutive years of economic contraction or stagnation, Germany found itself in a position of acute vulnerability. Chancellor Friedrich Merz publicly advocated for a rapid deal to protect export-dependent manufacturers.¹¹ Trump exploited this vulnerability through direct communications suggesting that Germany might receive sectoral relief in exchange for weakening European collective positions.

The preferential treatment incentivised other EU member states to pursue similar bilateral deals, undermining the European Commission's negotiating authority. It became evident that in Europe, differences in economic structure matter, e.g. Germany's export-oriented manufacturing economy versus France's domestically focused economy with agricultural export priorities; political orientations diverge, e.g. Italy's and Hungary's Trump-friendly leadership versus Spain's and Denmark's social democratic governments; while historical relationships differ, e.g. the United Kingdom's "special relationship" mythology versus EU members' varied Atlantic versus continental orientations. For the Trump administration, the purpose of so much bilateral engagement is to exploit inter-European divergences that could be obscured if Washington were negotiating directly with Brussels.



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Export dependency asymmetry

Europe’s vulnerability centres on structural export dependency, which creates asymmetric leverage favouring the United States in a context of sustained trade conflict. This generally aligns with Treasury Secretary Bessent’s argument that the United States will prove a victor in its various trade disputes because the buyer – meaning countries with high trade deficits – has a substantial advantage in such disputes.¹²

The United States represents 20% of extra-EU exports worth €530 billion annually, approximately 3% of EU GDP.¹³ While this might appear modest, aggregate, sectoral and geographic concentration creates acute vulnerabilities. The automotive sector directs 21% of extra-EU car exports to the US market; the pharmaceutical industry sends 38.2% of its extra-EU exports to the United States;¹⁴ while the United States is the machinery and equipment sectors’ largest export destination outside Europe.¹⁵ Thus, when tariffs were threatened or imposed, export-dependent and industrial countries like Ireland and Germany were far more reliant on US markets and were eager to reach a settlement. The potential impact of tariffs on politically sensitive constituencies also weakened European resolve, as seems to have been the case regarding the French position.¹⁶ Geographic distribution amplifies vulnerability through uneven exposure, creating divergent EU member state interests.

The Turnberry framework dissected

The 27 July 2025 Turnberry framework’s¹⁷ central achievement – a reduction from the threatened 30% to a 15% baseline tariff on most EU goods – represented a manipulation of reference points. By establishing 30% as the threatened “worse case”, Trump created conditions where 15% could be presented as a European diplomatic victory and a US concession. This framing obscured the fact that 15% represents approximately ten times the 1.5% average US tariff on EU goods prevailing before Trump’s second inauguration.

Comparison to other countries’ agreements reveals the EU framework’s relative severity. The United Kingdom secured a 10% tariff through a bilateral deal announced in May 2025, while Canada and Mexico retained most United States-Mexico-Canada Agreement provisions.¹⁸

The Turnberry framework’s European commitment package included US\$750 billion in European energy purchases from the United States through 2028, US\$600 billion in new US investment, unspecified military equipment purchases and US\$40 billion in AI chip procurement. The resulting imbalance led critics to characterise the framework as a “tribute” payment rather than a negotiated agreement.¹⁹ That being said, legal analysts and economists immediately identified that much of the package constituted repackaged existing plans, commitments the European Commission lacks the authority to enforce, and figures that “double count” already announced private sector investments. Both the investment package bundle of pre-existing agreements and the energy purchases seem to be unfeasible and outside the Commission’s purview.²⁰

Institutional fragmentation and unanimity paralysis

The EU’s institutional architecture creates systematic vulnerabilities through divided competencies, unanimity requirements and enforcement limitations. The Turnberry framework’s core contradiction illustrates enforcement constraints. The European Commission negotiated a US\$750 billion energy commitment, but lacks the authority to compel purchases, given the energy policy’s shared competence. The US\$600 billion investment commitment



In his second term, Trump has fused economic and security policy into a complete framework to maximise US leverage.

similarly exceeds the Commission's competence. Military equipment purchases involve defence policy, which is a national competence outside of specific EU programmes. The Commission thus negotiated commitments it cannot legally enforce.

The EU unanimity requirements for foreign policy, defence and fiscal matters create paralysis vulnerabilities. Strategic autonomy initiatives require consensus among 27 member states with radically different interests, threat perceptions and fiscal capabilities. Hungarian obstruction blocked multiple EU initiatives during 2024-2025, despite Hungary representing 2% of the EU's population and 1.2% of its GDP.²¹ The absence of burden-sharing mechanisms meant there was nothing to align the incentives of individual European states.

By December 2025, the United States was already criticising what it called a lack of implementation by the EU. US Treasury Representative Greer told the Atlantic Council that he was disappointed by shortfalls in European compliance, citing EU fines levied against US tech giants, which he claimed violated Turnberry framework language that barred "discrimination against US digital actors". But it was shortly later at the World Economic Forum in Davos that he bluntly stated that the EU has "failed to implement its commitments under the deal",²² citing the European Parliament's decision to suspend its consideration of Turnberry framework ratification. The United States is expected to conduct a comprehensive overview of Europe's implementation at the first anniversary of the framework.

But the European Parliament's decision came after the United States threatened an additional 10-15% tariffs on several European countries that had challenged the US claim to Greenland, which is formally part of the Kingdom of Denmark. On this occasion, Europe's reaction was somewhat more assertive. The EU halted the Turnberry framework's formal adoption process and dusted off the previously discarded tariff retaliation package, as well as other retaliation mechanisms. Various European firms and investment funds also considered reducing their exposure to and investments in the US market, citing elevated uncertainty.

While Trump walked back the US threats, these developments were a significant source of transatlantic friction during a Davos forum where discourse about the end of the global order as we know it was abundant. What Trump's threats also did was further push the conflation of trade and security issues to the fore and officially make clear that the Turnberry framework's 15% tariff rate is a baseline that can be added to, not a sustainable new status quo that satisfies US ambitions. The US president has repeatedly called for Europe to relinquish Greenland to US control. While this episode appears to have concluded, few assume it will be the last tense moment or even Trump's last gambit on the topic of Greenland.

Trade-security nexus

In his first term, Trump threatened a US withdrawal from NATO and criticised alliance burden sharing, but maintained a separation between trade policy and defence commitments. European leaders could negotiate trade issues through economic ministers, while defence ministers managed NATO relationships on parallel tracks. In his second term, Trump has fused economic and security policy into a complete framework to maximise US leverage.

The threat issued against Spain in October 2025 crystallised this transformation. After Spain refused to commit 5% of its GDP to NATO defence spending, Trump declared, "I'm very unhappy with Spain I was thinking of giving them trade punishment through tariffs because of what they did, and I think I may do that".²³ The explicit linkage – trade punishment for defence



The European defence architecture's deep integration with the United States creates a comprehensive vulnerability transcending economic leverage alone.

policy disagreement – established a precedent that NATO commitments would become bargaining chips in commercial disputes. This conflation of security and trade matters took on an even greater level of importance over the Greenland affair, when the United States tried to use tariff threats to force European countries to support its president's claim to the territory of a European country.

This is a particularly important difference compared to Trump's first term, because Russia's invasion of Ukraine has created an acute new sense of vulnerability among European countries. Trump is simultaneously demanding higher defence spending while imposing tariffs that will reduce European GDP growth by 0.3-0.7 percentage points.²⁴ Thus, European governments will have to allocate resources for increased defence spending from a smaller economic base while managing domestic political opposition to both austerity and militarisation. This creates a double jeopardy problem, which makes it difficult to address White House demands while planning for greater European security and economic sovereignty.

This creates impossible choices for European leaders. Accepting trade concessions to preserve a security relationship validates coercion and invites future extraction. Resisting trade pressure risks the withdrawal of the US security commitment to Europe, which might prove catastrophic, given the ongoing Russian threat. Thus, European strategic planning is hobbled, as each response option appears worse than the alternatives.

The transatlantic security dependency

The European defence architecture's deep integration with the United States creates a comprehensive vulnerability transcending economic leverage alone. The NATO framework, US nuclear umbrella and conventional force dominance, intelligence-sharing structures, and command systems lock Europe into security dependencies that Trump is weaponising through explicit trade-security linkages. Defence spending has played a major role in this US approach, and Trump's demand that NATO countries spend 5% of their GDP on defence by 2035 has created fiscal pressures that will have to compete with economic adjustment costs from tariffs.

European military capabilities rely heavily on US systems such as F-35 multi-role aircraft, Patriot air-defence systems, HIMARS rocket artillery systems, satellite communications and aerial refuelling tankers. Replacing these systems with European alternatives would require decade-plus timelines and hundreds of billions in development costs. Trump can threaten equipment delivery delays, the withdrawal of maintenance support for these systems or ammunition supply cutoffs as leverage in trade negotiations.²⁵ Building genuine defence independence requires precisely the investments that Trump's tariffs make fiscally impossible.

This paradox has become intrinsic to Europe's efforts to achieve strategic autonomy. European economies are already facing limited fiscal space, because the proportion of their debt to GDP is so high.²⁶ Simultaneously absorbing tariff-induced GDP losses while increasing defence spending therefore creates an extremely difficult fiscal arithmetic.



What Changed from Trump 1.0?

Removal of institutional constraints

Trump's first-term trade policy faced substantial internal resistance from the Republican Party foreign policy establishment, business community allies, and administration officials, who correctly viewed an aggressive tariff policy as damaging to US interests. The infamous "adults in the room" (General James Mattis, General John Kelly, Gary Cohn and Rex Tillerson) actively worked to moderate Trump's instincts, delay implementation and pursue negotiated resolutions.²⁷

The second-term Trump administration eliminated these constraints through systematic personnel choices prioritising personal loyalty and ideological alignment with assertive tariff policies. In this context, Treasury Secretary Bessent publicly endorses tariffs as a "negotiating tool" and rejects free trade orthodoxy; Commerce Secretary Lutnick advocates the use of tariffs to "reset the power of the United States of America";²⁸ while Trade Representative Greer served in the Office of the US Trade Representative during Trump's first term, when he helped to implement Section 301 tariffs targeting unfair foreign trade practices, and currently views aggressive trade policy as central to the Republican Party's transformation.²⁹ No administration officials are publicly opposing Trump's tariff strategy or working to moderate its implementation.

The Republican Party's transformation from free-trade advocacy to a protectionist orientation removes political constraints that limited Trump's first-term actions. Congressional Republicans who criticised first-term tariffs have largely retired or been primaried out. Republican members of Congress are increasingly echoing Trump's claim that imposing tariffs is about fairness and protecting the United States.

Business community influence has declined substantially as corporate America adapted to the political reality that opposing Trump generates more costs than accepting the tariffs policy. Business groups now focus on seeking exemptions for specific products or sectors rather than challenging the overall tariff framework. While the US Chamber of Commerce has been critical of the tariffs,³⁰ it has not unleashed the lobbying and negative advertising that would have been expected in previous campaigns against perceived systemic risks to business interests.

Domestic political sustainability of tariffs policy

The Trump second-term political environment was substantially different from the first-term opposition. Republican base voters overwhelmingly support tariffs policy as "standing up to China and Europe", viewing criticism as elite betrayal of working-class interests. The only retaliation package Europe ever approved was extremely narrow,³¹ seeking to impose some pain on politically crucial constituencies. This strategy mirrored the largely discredited "smart sanctions" approach, where only key decision-makers in a target country would be sanctioned.³²

But such narrow actions can usually be compensated for, and the targets are often ideologically motivated. Trump's electoral coalition includes the industrial Midwest and agricultural regions, which are theoretically vulnerable to retaliation, yet these constituencies have a significant cultural and political alignment with Trump's nationalism. Hence, even when dissatisfied with specific policies, they broadly support him.³³ While Trump's approval rating has declined significantly in his second term, support among Republicans has largely continued. Therefore, a significant reformulation of trade policies is likely not on the horizon, and Republican members of Congress will not

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be able to challenge Trump, since doing so will result in credible primary challenges to their possible re-election.

The Republican Party's transformation from a business-oriented coalition to a working-class nationalist party removes former constraints. The political incentives have changed dramatically within the party. The second-term Republican electoral coalition centres on non-college-educated voters, small-business owners and domestic manufacturers, who are broadly more inclined toward protectionism, even if there are some signs of dissatisfaction with the overall trajectory of the country.

Democratic Party opposition is largely ineffective because the party's positioning on trade has evolved toward greater scepticism of free-trade agreements. The Biden administration maintained Trump's first-term tariffs on China while adding new measures. Congressional Democrats are split between progressives who support industrial policy and protectionism and moderates wary of trade wars, but unable to articulate a popular alternative.³⁴

The Greenland affairs clearly demonstrate that the White House sees the Turnberry framework rate of tariffs as a floor, not a ceiling.

The path forward: strategic imperatives

The Greenland affairs clearly demonstrate that the White House sees the Turnberry framework rate of tariffs as a floor, not a ceiling. The 15% rate applied to the EU, and later to Switzerland, is not the maximum tariff level, but rather a baseline that the US president can raise depending on economic or security considerations. This also deprives Europe of whatever certainty dividend they were hoping to gain by agreeing to the framework.

The Draghi report on EU competitiveness³⁵ and the many assessments by European scholars have already issued a wide range of recommendations to manage the EU's dependence on Washington. These range from further economic integration of the single market; the acceleration of digitisation; creating more "Buy European" measures in existing and future Europe-level acquisition processes, especially in digital and defence acquisitions; softening Europe's economic stance towards China; and partial de-dollarisation through elevation of the euro.

Because the present analysis is meant to be more diagnostic than prescriptive, it will forego an exhaustive analysis of these recommendations. Suffice it to say that they provide a solid foundation for efforts to increase European sovereignty. The reason they have been only partially implemented – or not at all – is because of concerns about escalating tensions with the Trump administration and domestic disagreements among EU members.

We have already seen how the Trump administration reacted toward Canada by taking a softer line toward the Chinese auto industry. New European rules about digital acquisition that push governments towards European providers are only now getting serious consideration, in part because of concerns that such a step would be seen as a non-trade barrier by the Trump administration and hasten a transatlantic confrontation over the EU's regulation of US tech firms.

The reforms that call for greater integration also create sovereignty anxieties in European countries already struggling with anti-EU sentiment. They also affect countries in different ways. Opening up more to China may have benefits for the French economy, but the German auto industry will see it as a threat. On the other hand, "Buy European" strategies in defence acquisition schemes would greatly benefit German firms like Rheinmetall and the French defence industry. This shows that taking a programmatic view toward these strategies and building strong burden-sharing mechanisms are necessary.



Historically, and especially in the years immediately after the Second World War, the United States, as the hegemon of the global system, played a key role in solving collective action problems among EU countries. Now, the EU's Franco-German pillar is left to manage these challenges, with Washington likely attempting to play the role of spoiler.

Conclusion

For European geoeconomic planners, the patterns laid out in this analysis create discomfoting conclusions. The patterns imply that they constitute a framework for ongoing US coercion rather than a one-off case of friction that has now been resolved. European leaders treating each tariff round as a crisis to be resolved perpetuates the dynamic. A genuine strategic shift requires accepting elevated baseline friction as normal rather than aberrant.

Trump's approach enjoys sufficient domestic political support to persist, regardless of which party wins future elections. Even if more-traditional US officials return to power, they will inherit economic warfare infrastructure and precedents that future administrations can reimpose whenever it is politically or economically convenient to do so.

The security-trade nexus strategy employed by Washington and Europe's double jeopardy problem complicate any European balancing strategy in the near term. Any policy setting out to reduce European dependence on the United States will be immediately identified by Washington as a threat to its superior position or as a non-trade barrier. Any European strategy must start by acknowledging that the United States will maintain leverage superiority for the foreseeable future. This means optimising the European position within identifiable constraints rather than seeking parity.

A genuine strategic shift requires accepting elevated baseline friction as normal rather than aberrant.



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