



## Can Europe navigate Trump 2?

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**Donald Trump will be the next US president. Europe's leaders need to accept this reality and protect European interests.**

US voters have spoken. Donald Trump will return to the White House in January 2025. The Republicans are certain to control the Senate, and seem likely to control the House of Representatives as well. This would give Trump immense power to push his legislative priorities (for at least the next two years) and to cement Republican dominance of the federal court system. Trump will pose profound challenges for Europe's security and its economy.

The EU [had](#) outsourced its security to the United States, its energy needs to Russia and its export-led growth to China. As the EU has weaned itself off Russian gas and its products are increasingly being shunned by the Chinese market, the bloc now relies heavily on the US not only for security, but also for energy and exports.

While accepting that this will be the reality for the coming years, European leaders need to invest more in protecting themselves against a future of US unpredictability. This article lays out the how EU policy-makers might go about this across a variety of key policy fields: European security, the economy and trade, climate, and the rule of law.

### NATO and European security

Trump's antipathy for NATO is well known and stretches back decades. He does not see NATO as an amplifier of US power, but rather as an institution that allies use to take advantage of US security guarantees, while spending little on defence themselves. In his first term, he pressured Europeans to raise defence spending, and ordered the withdrawal of almost 12,000 American troops from Germany,

with the intention of redeploying 5,400 elsewhere in Europe, including 1,000 in Poland. Trump's public pronouncements over the past four years show he has not changed his approach, however. A US withdrawal from NATO remains an extremely unlikely outcome, but Trump could do a lot of damage to the alliance, even if he does not withdraw. NATO's deterrent power relies on relatively few US troops in Europe, backed by the promise that the US stands willing to use its nuclear arsenal to protect its allies. If Trump reduces the number of US troops, or if he continues to cast doubt on his willingness to defend allies, deterrence will be undermined.

Trump's victory will therefore almost certainly spark a further rise in European defence spending. Some countries will invest more in defence to be in a stronger position if Trump follows through with his threats to de-prioritise European security. Others will respond to Trump's insistence on higher spending by trying to bilateralise their relationships with the US to the greatest extent possible, for example by committing to buy US military equipment, in the hope that that will ensure US help in a conflict.

Europeans will also need to increase co-ordination between themselves in order to strengthen their defences. The EU institutions will make a pitch for a leading role, but member-states may not agree. The EU is a relatively new actor in defence and many member-states worry that a bigger role for the EU will annoy Trump. Moreover, military co-operation, whether in terms of operations or procurement, has historically happened bilaterally or between small groups of like-minded (EU and non-EU) countries. A key challenge for Europeans will be to ensure that efforts in EU, NATO, bilateral and small group frameworks are as aligned as possible. For EU members, including non-EU allies like the UK and Norway, working together as closely as possible will be essential.

## Russia's war on Ukraine

NATO countries on the eastern flank will be particularly worried about Trump's intentions towards Ukraine and Russia. Trump has repeatedly suggested that, if elected, he would bring the war to a rapid conclusion, touting his good relations with Vladimir Putin. Trump has often been critical of Ukrainian President Volodymyr Zelenskyy, and in late 2023 and early 2024 helped to delay a \$60 billion package of assistance for Ukraine. In September 2024, he [complained](#) "We continue to give billions of dollars to a man who refused to make a deal. ...There was no deal that he could have made that wouldn't have been better than the situation you have right now". Trump has not been specific about his 'peace plan', but vice president-elect JD Vance [said](#) in December 2023 that it would be in "America's best interest ... to accept Ukraine is going to have to cede some territory to the Russians". If Trump stops US military assistance to Ukraine, there is no way that Europeans could immediately take up the slack. Putin, whose forces are already making more rapid progress in eastern Ukraine than at any point in the last two years, would exploit Ukrainian demoralisation and increasing shortages of manpower and materiel. There would be a significant risk of the Ukrainian front line collapsing in the coming months.

Europeans have no interest in seeing Ukraine pushed into an unstable settlement that would encourage Russia to finish the job a few months or years later, perhaps then turning its sights to attacking exposed NATO members in the Baltics. Instead, Europeans need to secure a stable settlement, which means supporting Ukraine at least enough to persuade Putin that he cannot achieve his aim of subjugating Ukraine.

In the first instance, Europeans should try to encourage the outgoing Biden administration to transfer as much military kit as possible to the Ukrainians before it leaves office. Under US law, "the President

is authorised to furnish military assistance, on such terms and conditions as he may determine, to any friendly country or international organisation, the assisting of which the President finds will strengthen the security of the United States and promote world peace". Biden should use that power to the maximum extent he can in the coming weeks. Europeans should also try to persuade Trump to maintain some support for Ukraine. Trump could be open to an arrangement whereby Europeans essentially subsidise US support to Ukraine, for example by purchasing weapons and munitions from US industry on Ukraine's behalf.

If Trump strikes a deal with Putin to end the war, Europe would probably fragment. Those countries which see their security directly threatened by a Russian victory – such as the Baltic states and Poland – may want to continue supporting Ukraine. But their own ability to do so would be limited, and, without any form of US support on the cards, scepticism in the rest of Europe about staying in the fight is likely to grow. Even amongst Ukraine's strongest supporters there are likely to be voices arguing that the risk of annoying Trump and increasing his unwillingness to defend them in a conflict outweighs the benefits of continuing to support Kyiv.

## The Middle East

Trump's policy towards the Middle East is unlikely to steer the current conflict to an end. In his first term, Trump essentially abandoned US support for the two-state solution. He has said several times he wants to end the current conflict, but he has also told Israeli Prime Minister Binyamin Netanyahu that he has his support in dealing with the threats from Hamas, Hezbollah and Iran. Netanyahu will try to take advantage of Trump's support and redouble his efforts to reshape the region to Israel's advantage by hunting Hamas' remnants in Gaza, hammering Hezbollah in Lebanon and cowing Iran. It is possible that Israel will be strikingly successful in achieving these aims, but a messy outcome is more likely. Israel may even draw the US into a conflict with Tehran designed to eliminate its nuclear weapons programme and fatally weaken the regime. The longer the conflict continues, and the more it expands, the bigger the risks for Europe in terms of disruption to energy supplies, destabilising refugee flows and deepening domestic societal fractures.

Europeans have largely been [relegated to the role of bystanders](#) in the Middle East due to their internal divisions and lack of leverage. Crafting a coherent and effective policy is likely to be even tougher when Trump is in office. If Trump embraces Israel's effort to reshape the region, including by trying to attack Iran's nuclear programme, few Europeans will oppose that, not least as there is widespread anger at Iran for assisting Russia in its war on Ukraine. Europeans may have little choice but to acquiesce with most of what Israel and the US do in the region. But they should at least try to leverage US pressure on Iran, and Tehran's perceived weakness, to explore whether it may be possible to strike an arrangement that limits Iran's nuclear programme.

## The Indo-Pacific

Apart from his threats to impose punitive tariffs on all kinds of imports from China, Trump's likely approach to the Indo-Pacific region and US allies there is unclear. In his first term, he [fell out](#) with South Korea over his demand that it pay not only the entire cost of US forces based there, but also a 66 per cent premium on top. He also cultivated a relationship with North Korean dictator Kim Jong-un, [describing](#) how they "fell in love". With North Korea now supplying weapons and troops to Russia and [potentially](#) receiving Russian missile or nuclear technology in return, a decision by Trump to withdraw US forces

from South Korea to put pressure on the Seoul government over burden-sharing could be extremely destabilising in North-East Asia. Trump had a good relationship with then Japanese Prime Minister Shinzo Abe. The current prime minister, Shigeru Ishiba, has [proposed](#) the creation of an 'Asian NATO' as a deterrent to China, which – given Trump's views on NATO – may not get a positive response from the president-elect.

When it comes to the Chinese threat to Taiwan, Trump has been equivocal about what he would do. In his first term, his administration had more contact with the Taiwanese government than any predecessor since the 1970s, and publicly [stressed](#) the importance of the 1979 [Taiwan Relations Act](#), which commits the US to supplying Taiwan with defensive weapons, and to maintaining "the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people on Taiwan". But in private Trump [reportedly](#) questioned the value of protecting Taiwan, and during this year's campaign he [suggested](#) that Taiwan should pay the US for defence, complaining "Taiwan took our chip business from us, I mean, how stupid are we?", and noting that Taiwan is 9,500 miles from the US and 68 miles from China. Though Trump was often critical of China, he [allegedly](#) encouraged Xi Jinping to build internment camps for the Uyghur minority in the Xinjiang region, and [cancelled](#) US sanctions against Chinese telecommunications firm ZTE as a favour to Xi. Trump's advisers during the election campaign have included a number of China hawks, but it is not clear whether they will be able to hold him to a consistent policy.

## Macroeconomic policies

Trump inherits a strong US economy, which is growing faster than nearly all other advanced economies. Exit polls [indicate](#) that high inflation during President Biden tenure contributed to Trump beating Harris at the polls. But employment is near record highs, inflation has now come down, wages are growing, and productivity growth seems to have accelerated significantly in the US, unlike in the EU. Biden's large investments in green tech and semiconductor manufacturing will probably benefit Trump. They have unleashed a [boom](#) in US factory construction, which should lead to a further boost to employment once the plants are built. Unless bond markets freak out about surging federal borrowing costs, a second Trump administration would extend the US's economic boom by prolonging his 2017 corporate tax cuts, introducing widespread deregulation and expanding already record levels of oil and gas production.

Thanks to the dominant role of the US dollar, there is a risk of the US stoking its economic growth at the expense of the rest of the world, including the EU. Since the dollar is the world's primary reserve currency and is widely used for global trade and as a reserve asset, demand for it is consistently high. This gives the US 'exorbitant privilege' – allowing the country to borrow at lower costs and run larger government deficits without facing the same financial pressures as other nations. The UK, for example, faced significant market backlash to then Prime Minister Liz Truss's proposed tax cuts in 2022. In times of global economic stress, capital often flows into US assets as a 'safe haven', supporting the US economy but potentially destabilising other markets. Rising US interest rates may prompt capital outflows from elsewhere as investors seek higher returns in dollar-denominated assets, leading to currency depreciation and inflationary pressures abroad. This dynamic can inhibit growth in other regions while allowing the US to externalise some of the costs of its own economic policies.

Trump's policies may weaponise the US's exorbitant privilege – a risk signalled by the initial reaction from financial markets to his election victory. Interest rates on US government debt increased in anticipation of Trump's large budget deficits, while corporate profits are expected to increase thanks to the tax cuts.

The lure of higher rates and returns on equities will pull in capital from the rest of the world – a dynamic already on display in the form of surging US equity prices and a rising dollar following Trump’s win. Meanwhile, the expectation of forthcoming US tariffs on Chinese and European imports seems to have already driven down the exchange rate of the euro and the renminbi, which are depreciating to offset the coming trade war.

This combination of policies means the US may siphon off growth from the rest of the world. European long-term interest rates have declined, signalling even weaker growth, whilst European (and Chinese) stocks did not follow buoyant post-election US markets. In due course, the tide may turn for the US, due to a growing interest burden from ballooning public debt, inflationary pressures (for example, from the mass deportation of migrants which would reduce US labour supply), or growing doubts about the independence of the Federal Reserve. But, for now, Trump’s policies promise to usher in an era in which the US economy continues to expand strongly whilst hurting growth in the rest of the world – especially in large exporting economies like the eurozone and China.

Member-states will need to coalesce around a coherent plan to boost growth and rescue the European economy if they want to keep the continent prosperous enough to defend its social and political model. A good place to start would be breaking down barriers to growth within the EU itself. The IMF recently [calculated](#) that existing barriers inside Europe’s single market are equivalent to a tariff of 44 per cent for manufacturing, compared to 15 per cent between US states, and 110 per cent for services trade between EU countries. EU leaders should urgently take up Mario Draghi’s promising [blueprint](#) for deepening the internal market and developing a more coherent set of EU innovation and industrial policies.

## Trade policies

Alongside financial dislocations, the prospect of a trade war is also negative for the European economy. This is heavily trade reliant, and becoming increasingly [dependent](#) on the US as an export destination – the US now absorbs 16 per cent of Euro area exports, up from 12 per cent in 2012. Trump, however, sees the US trade deficit with the EU as a critical priority. The EU’s economy will therefore be extremely vulnerable to Trump’s plans to impose 10-20 per cent tariffs on all imports from anywhere in the world, and his willingness to provoke a trade war with the EU. Open economies like those of the Netherlands and Germany will likely be hardest hit, but with significant knock-on impacts for the EU as a whole.

Trump’s aggressive approach to China will also have important economic consequences for the EU. The US has already cut back on imports from China in recent years, and Trump intends to accelerate that by imposing 60 per cent tariffs on all Chinese imports. The EU, in comparison, has not significantly reduced its imports from China. In sectors where Europe has little domestic manufacturing capacity and which are not security-sensitive, Trump’s tariffs may pose a boon to Europe, by creating an influx of cheap Chinese goods, which in turn will help lower consumer prices for Europeans. But in other sectors – like electric vehicles and green tech goods – such an influx poses threats to European industry, jobs and security. That may force the EU to move further towards the US approach, with greater use of tariffs and similar trade defence measures.

Trump will also likely be more aggressive than Biden was in coercing the EU to restrict many of its exports to China, particularly in high-tech sectors like semiconductor manufacturing. He may impose secondary sanctions – US penalties on third-party countries or companies that engage in transactions with the sanctioned entity – to force European companies that rely on US inputs not to do business with China.

Unlike the Biden administration, which negotiated with the Dutch government, a Trump government could also use technological or financial sanctions to force the EU's leading technology firm, Dutch semiconductor machinery producer ASML, to relocate some of its production to the US.

Currently, member-states remain divided over how tough an approach to take with China and in which sectors – with many concerned in particular about China's importance for EU exports. This dilemma was illustrated when German Chancellor Olaf Scholz fought desperately but unsuccessfully to block new EU tariffs against Chinese-made electric vehicles. The EU will try to keep trade disputes with China narrow. But how far the EU reacts to Trump's policies (or is coerced into copying them), and how China retaliates, will determine whether the EU can avoid an all-out trade war with China. A trade war will hurt Europe more than the US. Imports only make up about 15 per cent of US GDP, compared to 49 per cent of the EU's GDP, and an appreciating US dollar will offset some if not most of the inflationary effects of tariffs in the US.

To protect the European economy, EU leaders must act quickly and remain unified. Their first priority must be to secure an exemption from US tariffs. Given his fixation on bilateral trade deficits, the EU could try to secure an exemption by promising to buy more American products, like the deals which then-Commission president Jean-Claude Juncker reached with Trump in 2018 or Beijing's 2020 agreement with the US. Such deals had little to no economic effect but they delivered positive headlines for Trump – and saved the EU from across-the-board tariffs.

If that strategy does not work this time, the EU will have to consider a combination of more substantial concessions – for example offering to align more closely with the US position on China – resorting to threats, or a combination of both. Some of these threats – like tariffs on Harley Davidson motorcycles and Kentucky bourbon – could be triggered relatively easily. Others, such as investigations using the Foreign Subsidies Regulation, could be started by the Commission alone, for example if US subsidies for greentech goods lead to an influx of American goods into Europe, but that would be a slow and bureaucratic process. The EU has tools to take stronger and more immediate measures, like the Anti-Coercion Instrument (ACI), which was intended to help the EU deter and respond to economic coercion. The ACI was designed with Trump in mind, and could be used to impose tariffs or other barriers on US-EU trade and investment, but to use it member-states will have to be relatively unified.

Any deal with Trump will inevitably involve winners and losers within the bloc – and it is unclear whether member-states will put the continent's interests above their own national ones, particularly if Trump threatens them with retaliation in the security field. Despite Commission President Ursula von der Leyen's desire to push ahead with a genuine EU economic security strategy, she has so far been unable to secure member-states' agreement to centralise decision-making in key areas like export controls and investment screening in Brussels.

In negotiating with Trump, the EU would also benefit from building a united front with America's other allies like the UK, Australia, Japan and South Korea. Negotiating as a bloc could help demonstrate to Trump that a multilateral approach would be less economically damaging for the US than a trade war – and could also be much more effective in containing China. It could also help US allies nurture more trade between themselves, making them collectively less reliant on China and the US. However, some of these countries may have incentives to seek their own special deals with Trump and will be conscious that they have less negotiating heft than the EU does. UK prime minister Keir Starmer, for example, has made significant efforts to develop warm relations with Trump. And given Trump's animosity towards the

EU, it is plausible to think he might offer the UK a special deal – such as lower tariffs – in return for the UK keeping its distance from Brussels.

Trump's re-election will also supercharge concerns about European technological sovereignty. The EU has failed to nurture its own equivalents of America's digital megafirms, but that did not seem critical when those megafirms mostly provided convenient services, often free of charge for consumers. Now, however, European businesses are increasingly dependent on US firms for services like cloud computing and artificial intelligence – and they will need to become more so if Europe is to increase its productivity. EU leaders will be wary that Trump might weaponise this dependency to force the EU to follow US policy preferences. There is likely to be increasing focus on using public funding to develop alternative European tech services, enabling a 'de-risking' from the US, despite the many failures of such policies in the past. The EU will also need to take tough decisions about when and how to de-risk, with modest and realistic ambitions. Mario Draghi's report, for example, rightly emphasises that the EU can only realistically hope to carve out a minor niche in the cloud computing market.

## Climate

Trump's win will also take the US out of the equation on global climate diplomacy. He is likely to abandon the Paris Agreement again, a clear signal of climate action being nowhere near his priorities. This will leave the EU in a lonely position when it comes to climate leadership: pushing Western countries towards more ambitious contributions to climate finance is going to be much harder without US buy-in. The ambivalence of the West, in turn, will demotivate developing countries from taking any serious climate action. The EU should build a coalition of countries committed to climate action, to signal that the US is an outlier among Western countries, and that Trump's position should not stop progress towards net zero emissions.

At the same time, the global energy transition will not grind to a halt. With Trump, the US gas sector will continue to thrive and increase exports of liquid natural gas to the EU, as the latter tries to eliminate gas imports from Russia. But green energy is increasingly becoming an economic no-brainer as it becomes more and more cost competitive. The market forces pushing the uptake of renewables – both in the US and globally – are not going to change with Trump in power. The fate of the Inflation Reduction Act (IRA), with which Biden boosted green investments in the US, does hang in the balance. If Trump repeals it, that might put a brake on the speed at which the US builds capacity in green tech. But because the IRA has been creating jobs even in Republican states, walking back on it may not be politically wise for Trump. The EU already [boasts](#) twice the US share in global export markets for green tech products, and [leads](#) the US in green patenting. If the US pulls back, the EU should seize the opportunity and increase its investment support for these sectors, to become even more of a green tech manufacturing powerhouse.

## Democracy and populism

Trump's comeback will damage democracy and the rule of law, not just inside the US but also beyond it. While recent crises have forced radical right parties to temper their euroscepticism, the coming Trump presidency will probably reverse that shift and embolden far-right and illiberal actors. Trump will strengthen Europe's far-right parties, not just by normalising and amplifying their ideas but also by boosting their electability on the basis of their close connections to him. Hungary's Viktor Orbán will be the first to benefit; his crackdown on democracy at home and coalition-building with autocratic allies abroad will continue at full-steam. Orbán will certainly leverage his ideological and personal connection

with Trump to promote his sovereigntist vision and to water down or avoid additional EU sanctions (such as Brussels withholding EU funds). Besides sowing divisions in Europe, the second Trump presidency could have dangerous implications for democracy in the Balkans. The Trump family's close [business links](#) to Serbia and certain policies, like a land swap deal between Kosovo and Serbia proposed by some in his previous administration, could revive revisionism and push the region towards conflict.

In addition, if Trump succeeds in winding down long-standing US democracy assistance, including funding and knowledge sharing, it will have devastating consequences for civil society and pro-democracy actors in countries ranging from Hungary to Georgia. It is questionable if the EU will be capable, or willing, to replace the US in that role, since heightened security and economic challenges are likely to move support for democracy further down its agenda.

## Conclusion

Trump's policies on security and trade are likely to be more disruptive for Europe than in his first term. First, during Trump's first term, his instincts were restrained by mainstream advisors, such as defence secretary James Mattis, and by Trump's own lack of familiarity with the levers of government. But in the past few years Trump has successfully moulded the Republican Party in his image, and nurtured a group of officials much closer to his views. Trump makes no secret of his intention to purge the US bureaucracy, meaning that there is likely to be less institutional friction on implementing his policies (though also, perhaps, less institutional capacity to carry them out effectively). The second reason why Trump 2 is likely to be more disruptive is the international situation. Trump's first term unfolded against a relatively benign international background. Now, Trump will have to make decisions that will deeply affect conflicts in Ukraine and the Middle East, and determine the trajectory of US-China relations. The scope for decisions with catastrophic consequences is much higher than it was.

Many described Trump's first presidency as a wake-up call for Europe. But by and large, Europeans ignored that call. With Biden's election they tried to convince themselves that Trump's presidency had been an aberration. As a result, they now face the disruption of Trump's second term much less prepared than they could have been. Trump's policies will apply pressure on Europeans to act collectively, particularly to revive their economies and strengthen their defences.

As of November 8<sup>th</sup>, however, it seems just as likely that the pressure will cause Europe to fragment. The collapse of the German coalition government, presaging months of instability and policy paralysis in the EU's largest economy and largest provider of aid to Ukraine, is an alarming sign – unless it gives birth to a new government that can help to lead Europe. Leaders of the EU and other European countries need to use Trump's second term as an opportunity to address long-term economic and security shortcomings. But they will only succeed if they show more willingness to work together than they are currently displaying.

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