



REPORT

Trump, Tariffs, and Trade: What is the New Transatlantic Playbook?

Brussels
Hafsa Banane El Jebari
Research Assistant



European Business Council for Africa and the
Mediterranean (EBCAM)



www.ebcam.eu



+32 456 79 11 50



Avenue Toison d'Or 77
1060 Brussels - Belgium

Context

On the 19th of February, the Wilfried Martens Centre for European Studies organised in Brussels an event with the title “Trump, Tariffs, and Trade”. The discussion focused on the use of trade by the new US administration as a means for weaponizing Europe’s dependencies and the need for a new Transatlantic Playbook to navigate these emerging challenges and uncertainties.

The event started with welcoming remarks from **Tomi Huhtanen**, Executive Director at Martens Centre. The event included three speakers, **Dirk Gotink**, Member of European Parliament EPP; **Penny Naas**, Lead, Allied Competitiveness, German Marshall Fund; and **Hans Kribbe**, Author, Co-founder, and Director of the Brussels Institute of Geopolitics. The discussion was moderated by **Eoin Drea**, Senior Research Officer at Martens Centre.



1. The current trade policy landscape in the US

Trade is becoming increasingly political, with geopolitics playing a key role.

The new Trump administration views **tariffs** as a way to rebalance global trade, particularly focusing on **goods**, since **agriculture** is deeply tied to U.S. patriotism. This **rebalancing** aims to lead to **reshoring**, the **leveraging of trade policy**, and revenue generation—though the revenue aspect is more of a stretch.

- **Rebalancing:** the tariffs are meant to address perceived trade imbalances, particularly, the perceived trade imbalances with China and the EU.
- **Reshoring:** Tariffs aim to incentivize companies to relocate their production facilities back to the US, thereby boosting domestic manufacturing and job creation.
- **Leveraging trade policy:** tariffs also serve as a negotiation tool, Trump aims to pressure other countries into trade deals that are deemed to be beneficial for the US.

The administration's executive orders and clarifications on trade reveal a desire to reshape both the **U.S. trade legal system** and the **global trade system**. An important question would be the impact of tariff negotiation in the WTO. Therefore, it is important to view the primary purpose of Trump’s tariffs as a means to restructure global trade relations in favour of the US.

Recent actions and Reactions

- The April 1st memos for the US trade policy have been finalized, including a 30% tariff policy on autos. A strong focus is also placed on **pharmaceuticals** and **semiconductors**, with further memos expected on trade and taxation.
- There is a rising concern in the **US’s interference in EU internal matters**, such as migration. In that case, it is important for the EU to understand and identify how Trump frames trade with **broader geopolitical issues**, as it has done with Mexico.
- Europe must develop its own **proactive strategy**, and it must define a long term economic and trade vision that can allow it to stay competitive and reduce dependencies on the US.

2. Transatlantic Relationship: What’s Next?



- Understanding the future of **transatlantic trade** and **security relations** is essential, as these two issues are now deeply linked: Europe's security dependence on the US is affecting its economic and trade sovereignty.
- Two key scenarios exist for the future:
 1. The U.S. pulls out of Europe entirely by withdrawing from NATO and reducing its military presence in Europe - this is the worst-case scenario.
 2. An even worse scenario: The U.S. continues offering security through NATO but treats it as a "blackmailing" protection racket, making Europe weaker and poorer.

If the U.S. assumes the security relationship in the latter form, Europe will face deeper issues than if the U.S. simply retreats from the continent. A clear example has already been shown in Munich, where the U.S. proposed offering security to Ukraine in exchange for 50% of its natural resources. Similar power dynamics exist in the **Greenland case**, the **Digital Services Act** (might demand weaker regulations on US tech firms) , and the **China policy** , where the EU is expected to mirror U.S. actions against China.

- A negotiation between the U.S. and EU could result in a balanced outcome, but Europe remains stuck in a **security dependency** - especially regarding Russia, spending billions of euros on American military assets instead of investing in European defence.

3.EU Leadership and Strategic Priorities

- The current dominant election narrative has been centered on competitiveness and transforming the economy to align with future challenges.
- The global economic game has changed with China's rise, and while the US has adapted, the EU has fallen short in improving its competitiveness and preparing itself for the emerging economic and security landscape.
- The geopolitical shift has accelerated discussions on **the single market**. The current export model is not optimal for demographic changes. A fully **integrated energy market** and a **cohesive security strategy** are necessary.
- In some sectors, integration works—such as drones, which require large-scale production. The EU also needs a **unified telecommunications market**, **integrated financial markets**, and other measures that can lead to reduction of cost of living for consumers.
- The EU must stop lamenting global developments and start integrating essential sectors more effectively. It needs to shift from a reactive to a proactive strategy.
- Other major economies, like Japan and South Korea, also depend on U.S. trade and security, therefore **hedging** is a crucial tool for the EU to minimise dependencies on the US.
- **Brussels** must rethink its **administrative and executive power** structures to accelerate decision-making, particularly in energy, reducing costs, and maintaining manufacturing capacity.
- Finding and showcasing success stories is crucial, Europe must build on these lessons to strengthen its position.
- Leadership requires moving forward even if some member states participate less or are "marginalised".
- Europe can innovate in **AI models** to reduce dependencies—similar to what developing countries did with Europe in the past. The EU should integrate technologies quickly and act with agility.
- **Manufacturing Potential:** Europe has significant untapped potential in manufacturing that should be leveraged. Savings must be untapped and actively used for investments.



4. The Role of EU Member States

The world is undergoing a geopolitical revolution: Trump's movement is challenging the WTO, NATO, and even European political freedoms and democracy.

Leadership must come from member states. While some believe this is a moment for EU institutions to assert themselves, **legitimacy still resides in national governments**. Von der Leyen alone cannot be the voice of Europe, **France and Germany** must take the lead. The UK could also play a significant role. Since France currently has a weakened president trying to consolidate leadership among European nations, a strong German chancellor is necessary to provide new momentum.

One of the key challenges is consolidating a **European defense strategy**, which requires the full involvement of member states to develop a new security framework.

5. Taxation and Trade Challenges between the US and the EU

- **Global Minimum Tax:** OECD tax proposals (15% minimum tax on multinational corporations) could disadvantage the U.S. by limiting corporate tax benefits below a certain threshold. Trump has responded with the VTA (Voluntary Trade Agreement), creating a major obstacle and potential future tensions between the US and the EU in the form of trade penalties.
- **Digital Sales Tax and Aviation Subsidies:** The Digital Sales tax on US tech giants and the dispute over government subsidies to Boeing and Airbus remain contentious issues.
- **Defense Spending:** Many European countries, like the Netherlands, have unspent defense budgets. Taxation policies will therefore be crucial in allocating funds to meet defence needs and targets.
- **Silicon Valley & the Digital Markets Act:** Many of Trump's financial backers are from Silicon Valley, and they strongly oppose the EU's Digital Markets Act, seeing it as a challenge to their business model. The new Trump administration might retaliate against the Act.