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## **POLICY COMPASS**

**Short-Term Security, Long-Term Risk:**

**Europe's Trump Gamble**

**By**

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## Short-Term Security, Long-Term Risk: Europe's Trump Gamble

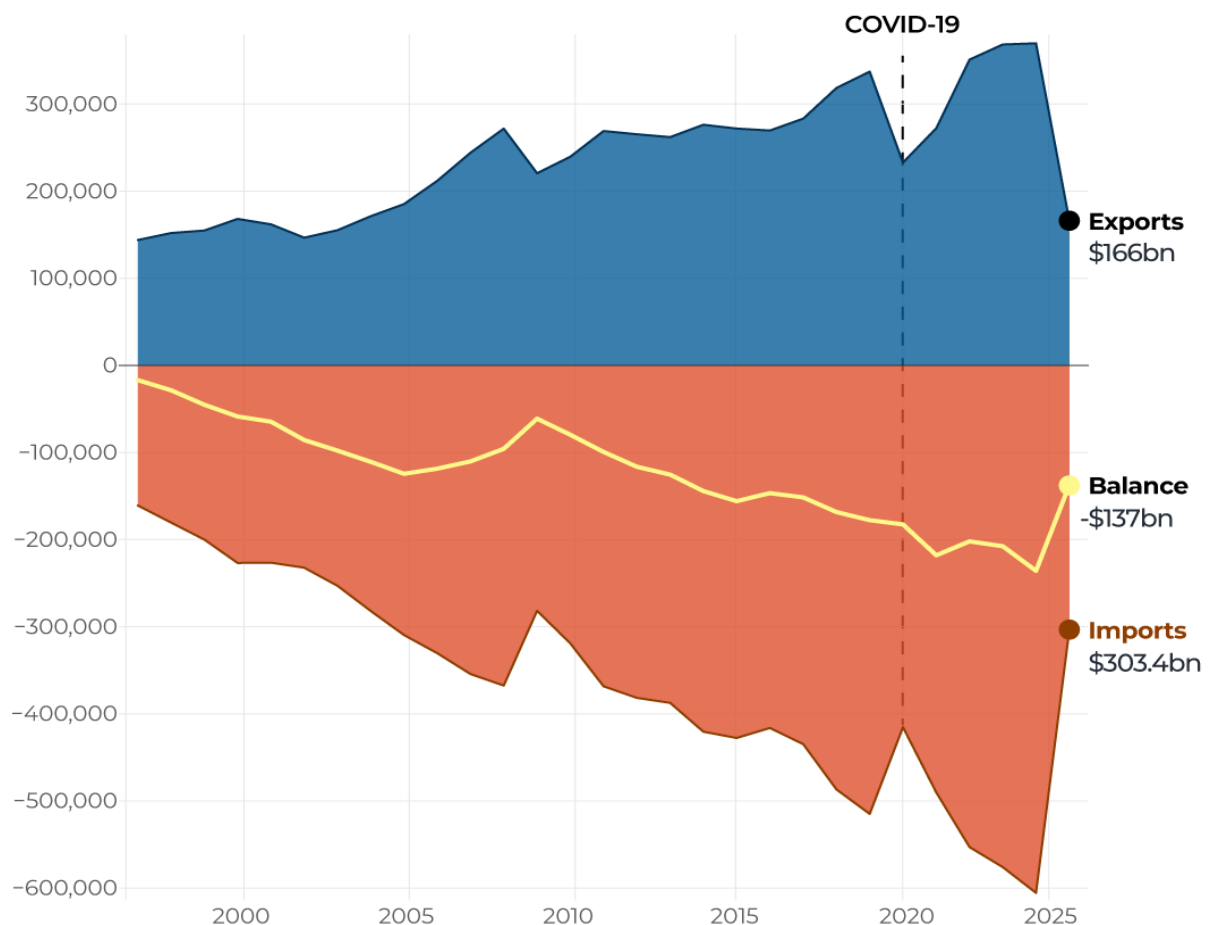
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### Executive Summary

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- ✦ NATO members agreed in June 2025 to raise defence spending to 5% of GDP by 2035 after pressure from Trump, who questioned US support for under-spending allies.
- ✦ Following threats of a 30% tariff, the US and EU struck a July 2025 deal imposing a 15% tariff on most EU imports, with Europe pledging massive purchases of US energy, AI chips, and military equipment.
- ✦ The deal avoided a trade war but left Europe more dependent on the US, even as the EU pursues defence industry development and trade diversification.
- ✦ Trump targeted the EU's Digital Markets Act and Digital Services Act as discriminatory, threatening tariffs and export restrictions, while the EU defended its regulatory sovereignty.
- ✦ Europe has traded costly concessions for short-term security, increasing vulnerability and spurring efforts to build greater autonomy and strengthen ties with other global partners.

### Key Picture: US Goods Trade with the EU as of May 2025



Source: [Census.gov on Al Jazeera](#)

## 1. Trump's Pressure on NATO Defence Spending

In 2023, as Russia's full-scale invasion of Ukraine entered its second year, NATO leaders committed to allocating a minimum of 2% of GDP toward national defence. Before the summit in The Hague on June 24–25, Trump pressed US allies to commit at least 5% of their GDP to defence, saying this would allow the US to focus on other security priorities, especially in the Indo-Pacific and at its own borders. He increased his leverage over NATO partners by questioning whether the US would defend countries that spend too little, while at the same time imposing tariffs on both allies and rivals, citing US security concerns.<sup>1</sup>

At the summit, NATO leaders approved a significant increase in defence spending following pressure from Trump and reaffirmed their firm commitment to collective defence. The 32 member states adopted a summit declaration setting a target of 5% of GDP for defence and security-related expenditures by 2035 to meet both national and alliance obligations.<sup>2</sup>

## 2. Tariffs and the Transatlantic Trade Deal

Negotiations between the EU and the US on redefining their trade relationship have been marked by sharp ups and downs since Trump introduced his so-called reciprocal tariffs on April 2, a day he referred to as "Liberation Day."<sup>3</sup> On July 12, Trump warned that a 30% tariff on EU imports would take effect on August 1 after weeks of negotiations failed to produce a comprehensive trade agreement.<sup>4</sup> After months of talks, the US and EU announced a trade deal on July 27 designed to prevent a broader trade war. The agreement set a 15% tariff on most EU imports - lower than Trump's earlier threat but far above the pre-2017 average of 4.8%. Some European leaders criticised the deal as tilted toward the US.<sup>5</sup>

Europe has also pledged to purchase \$750 billion in US energy, including liquefied natural gas, oil, and nuclear products, by 2028, along with \$40 billion in AI chips<sup>6</sup>, while also committing \$600 billion in investments in the US, including spending on military equipment.<sup>7</sup>

Most European leaders have welcomed the outcome, preferring to avoid retaliatory tariffs that could have triggered a transatlantic trade war.<sup>8</sup> However, despite the initial relief, many recognise that the EU has yielded to the demands of an unpredictable US president, first on NATO defence spending and then on trade. What was once a secure continent under US protection has become more uncertain and costly for Europe. The outcomes of the NATO summit in The Hague have only reinforced Europe's dependence on the United States.<sup>9</sup>

At first glance, the trade deal represents a significant European concession to US economic demands. Yet from a security perspective, both the deal and NATO's defence spending pledge reflect a short-term European strategy to keep the US closely engaged in defence matters where Europe remains heavily reliant on the US.<sup>10</sup> Nonetheless, over the longer term, the deal is likely to strengthen Europe's push for greater independence from the US, as the EU is advancing initiatives to build its own defence industry and expand economic tools, while also seeking deeper trade ties with other partners.<sup>11</sup>

## 3. Clashes Over Europe's Digital Policy

In addition to his other demands on Europe, just days after taking office, Trump told the World Economic Forum in Davos that Europe's digital regulations were a "form of taxation." Weeks later, he issued a memorandum instructing officials to explore tariffs and other actions against foreign rules that restrict US companies. The accompanying fact sheet singled out the EU's Digital Markets Act (DMA) on competition and Digital Services Act (DSA) on online harms for closer scrutiny.<sup>12</sup> The DSA sets rules for large online platforms, search engines, and e-commerce services. Those with over 45 million users in the EU, such as Facebook, Instagram, and TikTok, are required to evaluate and mitigate risks, including misinformation and threats to minors.<sup>13</sup>

Trump wrote on Truth Social that he would introduce heavy new tariffs and restrict technology and chip exports to countries whose digital regulations he considers discriminatory toward US companies.

However, the European Commission asserted its authority to regulate technology in the EU.<sup>14</sup> The EU rejected Trump's accusations that its digital regulations are unfair. EU officials emphasised that member states have the sovereign right to regulate economic activity in line with their democratic values.<sup>15</sup>

### *3.1 What to Expect in the Future?*

Thus, overall, in responding to Trump's demands, Europe has sought to keep the US engaged in NATO by making costly concessions on defence spending and trade, while also facing pressure to adjust its digital policies. Although this strategy has temporarily eased tensions, it has left European leaders divided and exposed to new risks. The trade deal's promises of \$600 billion in investment and vast energy purchases may prove difficult to deliver, while the threat of higher tariffs continues to hang over the relationship. Ultimately, by yielding to Trump's tariffs and NATO spending targets, Europe has bought short-term security assurances at the expense of greater dependence on the US, emphasising the urgent need to build the capacity to stand more on its own.<sup>16</sup>

At the same time, the EU is pursuing alternatives. Many Commission officials expect Trump's withdrawal from trade engagement to create openings for agreements with other partners. In a recent address to the European Parliament, Trade Commissioner Maroš Šefčovič highlighted the upcoming EU-Mercosur Partnership Agreement, while others pointed to prospects for accelerating bilateral negotiations with Mexico, Switzerland, Malaysia, and potentially India.<sup>17</sup>

## NOTES

<sup>1</sup> Lorne Cook, “NATO is on the cusp of accepting Trump’s 5% defense investment demand, Rutte says”, AP News, accessed 22 September 2025, <https://apnews.com/article/nato-capability-targets-plans-defense-spending-trump-b123977c8f3c1bce277fb1b9957b1b78?utm>.

<sup>2</sup> Mike Corder, Sylvie Corbert, Molly Quell, and Lorne Cook, “NATO leaders agree to hike military spending and restate ‘ironclad commitment’ to collective defense”, AP News, accessed 22 September 2025, <https://apnews.com/article/nato-defense-spending-trump-spain-db0912cbfdaedc4c6b57809c9e11d6bd>.

<sup>3</sup> Lorne Cook, “NATO is on the cusp of accepting Trump’s 5% defense investment demand, Rutte says”, AP News.

<sup>4</sup> Andrew Gray and Andrea Shalal, “US and EU avert trade war with 15% tariff deal”, Reuters, accessed 22 September 2025, <https://www.reuters.com/business/us-eu-avert-trade-war-with-15-tariff-deal-2025-07-28>.

<sup>5</sup> Matthias Matthijs, “U.S.-EU Trade Deal Avoids a Tariff War, but Deepens European Dependence”, Council on Foreign Relations, accessed 22 September 2025, <https://www.cfr.org/article/us-eu-trade-deal-avoids-tariff-war-deepens-european-dependence>.

<sup>6</sup> Downing, Courtney and Larkin, “Are tariffs actually working for Donald Trump and the US?”, accessed 22 September 2025, <https://downingslaw.com/2025/09/15/are-tariffs-actually-working-for-donald-trump-and-the-us>.

<sup>7</sup> Lisa O’Carroll, “Trump and von der Leyen announce US-EU trade deal”, *The Guardian*, accessed 22 September 2025, <https://www.theguardian.com/us-news/2025/jul/27/eu-delegation-poised-for-trump-trade-talks-in-scotland>.

<sup>8</sup> Matthias Matthijs, “U.S.-EU Trade Deal Avoids a Tariff War, but Deepens European Dependence”, Council on Foreign Relations.

<sup>9</sup> Ibid.

<sup>10</sup> Torrey Taussig and Josh Lipsky, “Europe’s play to keep Trump happy cannot come at the expense of a longer-term strategy”, Atlantic Council, accessed 22 September 2025, <https://www.atlanticcouncil.org/blogs/new-atlanticist/europes-play-to-keep-trump-happy-cannot-come-at-the-expense-of-a-longer-term-strategy>.

<sup>11</sup> Matthias Matthijs, “U.S.-EU Trade Deal Avoids a Tariff War, but Deepens European Dependence”, Council on Foreign Relations.

<sup>12</sup> Tom Wheeler, “Will Donald Trump make European tech great again?”, Brookings, accessed 22 September 2025, <https://www.brookings.edu/articles/will-donald-trump-make-european-tech-great-again>.

<sup>13</sup> Elena Giordano, “EU resists Trump: Tech regulation is our ‘sovereign’ right”, Politico,

<sup>14</sup> Ibid.

<sup>15</sup> Suzanne Lynch and Andrea Palasciano, “EU Defends Digital Taxes After Trump Calls Them Unfair on US”, Bloomberg UK, accessed 22 September 2025, <https://www.bloomberg.com/news/articles/2025-08-26/eu-defends-right-to-regulate-after-trump-attacks-digital-taxes?embedded-checkout=true>.

<sup>16</sup> Torrey Taussig and Josh Lipsky, “Europe’s play to keep Trump happy cannot come at the expense of a longer-term strategy”, Atlantic Council, accessed 22 September 2025, <https://www.atlanticcouncil.org/blogs/new-atlanticist/europes-play-to-keep-trump-happy-cannot-come-at-the-expense-of-a-longer-term-strategy>.

<sup>17</sup> Keith Rockwell, “Transatlantic Trade Tensions: The Looming US-EU Showdown”, Wilson Center, accessed 22 September 2025, <https://www.wilsoncenter.org/article/transatlantic-trade-tensions-looming-us-eu-showdown>.