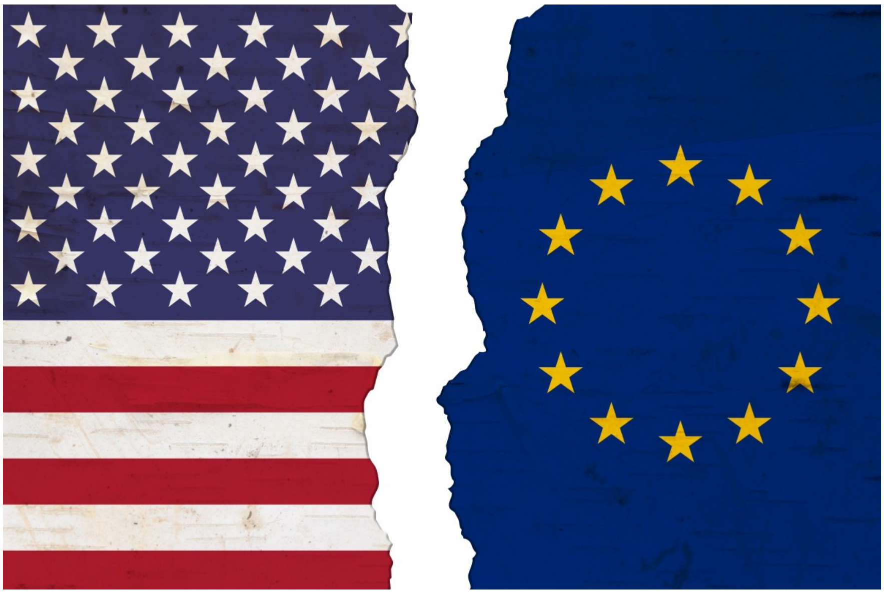
Updated: Europe finds itself back in a new, and more severe, tariff fight

US President Donald Trump's announcement to impose new tariffs on eight European countries set off alarm bells across European capitals over the weekend. At this point, the outcome of these new trade tensions is unclear, but what has long been evident is that there is no such thing as trade or tariff certainty anymore



Greenland by all means

On Saturday, President Trump announced an extra 10% tariff on Germany, France, the UK, Netherlands, Finland, Sweden, Norway and Denmark as of 1 February until a deal on Greenland is reached. The tariffs would be increased to 25% by 1 June, if no deal is reached by then. As has been the case before, it is not exactly clear how this will work out as there has been no official communication from the White House, yet, just Trump's announcement on social media.

This marks the latest escalation in what has become one of the most critical sources of tension between two allies: the US and the EU. President Trump has repeatedly ramped up his claims on Greenland. In his social media post, Trump stressed that he wanted a deal "for the complete and total purchase of Greenland" and criticised the eight European countries now subject to tariffs for putting "so much at risk, despite all that we have done for them".

The new tariff announcement effectively reopens the trade war between the EU and the US, despite a temporary truce reached in late July. This next phase brings higher stakes and a far tougher approach and serves as a painful reminder, not only of how the relationship between the US and Europe has changed, but also that tariffs have become a multi-purpose policy tool. The rationale for higher tariffs is now even more political and less economic than in the first half of 2025.

What's next?

As so often over the last year, things can change very quickly. At the same time, however, last week's talks in Washington showed that Denmark and Greenland have no interest at all in selling Greenland to the US. While there are many ways to strengthen Greenland's role in Western security, including through NATO and EU–US cooperation, much will depend on whether the US government's claim on Greenland is merely a maximalist bargaining position or a genuine ultimate demand.

With so many uncertainties in a fast-moving environment, here are just a few considerations from our side that should be taken into account when analysing the next tariff tensions.

- The announced tariffs will probably fall under the International Emergency Economic Powers Act (IEEPA) tariffs that are currently subject to a forthcoming rule by the US Supreme Court. If the Supreme Court rules against all earlier IEEPA tariffs, Trump's latest announcement would be void, and he would have to find other tariffs. Something that would take more time.
- The broader trade deal between the US and the EU from last summer hangs in the balance again. The president of the largest party in the European Parliament, Manfred Weber from the EPP, has indicated that they would not vote in favour of ratifying the deal, which means that the EU levying 0% tariffs on US products will not be voted on given the threats regarding Greenland, according to Weber. The vote in Parliament is actually scheduled for this week. European officials also suggested over the weekend that any European commitment included in the trade deal should be put on hold for now.
- Related to the ratification of the European tariff commitments in the US-EU trade deal was the suspension of European tariffs on US products, amounting to €93bn. These tariffs were prepared last summer in reaction to President Trump's 'Liberation Day' but were suspended for six months when the US-EU deal was negotiated. These six months will expire in early February, and the tariffs could become effective unless the EU actively decides not to do so.
- At least judging from the first reactions, some European leaders are willing to play hardball and have brought up the option of the so-called anti-coercion instrument. This is the EU's so-called trade "bazooka", allowing the bloc to impose tariffs and investment limits on offending nations - an instrument that Europe didn't dare to activate last summer. French President Emmanuel Macron has announced that he would ask for the instrument to now be activated.
- Another topic that has been brought forward by some European officials over the weekend is the US exposure to European investments in US government bonds and stocks. European countries own some $8 trillion of US bonds and stocks, which makes Europe by far the largest US lender. This not only illustrates the deep interdependence between the US and Europe but also shows that, at least theoretically, Europe also has leverage on the US. Whether in practice, Europe would really engage in a 'Sell America Inc' season is a completely different question. There is very little the EU could do to force European private

sector investors to sell USD assets; it could only try to incentivise investments in EUR assets.

While Europe, at least initially, seems to be determined to stand up against the latest tariff threat and the US President's claims on Greenland, the reality is that Europe is still dependent on the US in many ways, both from an economic and security point of view. This was likely one of the central reasons behind the EU's agreement last summer to agree to a trade deal with the US that did not benefit Europe. Whether the new tariff threat and the situation in Greenland turn out to be the tipping point that finally triggers European unity and Europe's rise as a geopolitical power remains to be seen. What is clear is that a full-blown trade war between the EU and the US would leave only losers.

Possible economic impact

For businesses, the developments over the weekend mean another period of uncertainty around investments in and exports to the US, which was the case for much of 2025. Since December 2024, the last month before President Trump came into office again, the share of the US in EU exports has been on a bumpy ride due to US front-loading of EU goods. By November though, the US share had declined to 18% from 21%. This suggests that tariffs and uncertainty around the US as an export destination are causing EU exporters to slowly focus elsewhere.

Of course, the EU is a single trade bloc with no tariff barriers within. This means that options for tariff evasion from the six countries mentioned by Trump are plentiful. Take Belgium, for example, which is set to keep the 15% tariff but is positioned between the Netherlands and France, both of which will see tariffs rise to 25% as of 1 February. As a result, Belgian ports could become busier as they present a potential route for tariff evasion. This would ultimately make the tariff less effective than the previously announced levies.

Overall, we can only repeat our earlier estimates that additional tariffs of 25% would probably shave 0.2 percentage points off European GDP growth. However, this model-based estimate definitely falls short in capturing the full impact of new uncertainty and geopolitical tensions as a result of escalated tensions.

Critical moment for transatlantic relations

Trump's latest tariff announcement has escalated trade tensions into an entirely new dimension - one driven less by economic logic and more by political motives. It is also pushing the long standing transatlantic relationship into a severe crisis, with a clear risk of further escalation and unwarranted negative consequences for both Europe and the US economy.

The experience of the past 12 months has taught us not to overreact, as not all bold or dramatic announcements have ultimately been implemented. The uncomfortable truth, however, is that some of them have.

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