EUROPEAN COUNCIL ON FOREIGN RELATIONS
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POLICY BRIEF

BRUSSELS HOLD'EM: EUROPEAN CARDS AGAINST TRUMPIAN COERCION

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March 2025

SUMMARY

- Faced with an aggressive new Trump administration, Europeans must understand the assets they can use as deterrents
- Across trade, technology, infrastructure, finance and people-to-people relations, the EU and its European partners hold "cards" they can play
- Policymakers should assess the relative merits of doing so, and the costs to Europe that this would entail
- The EU should create an economic deterrence infrastructure and strengthen its existing anti-coercion instrument

At the card table

"The European Union", posted Donald Trump on his Truth Social account on March 13th, is "one of the most hostile and abusive taxing and tariffing authorities in the world". For good measure, the US president added that the EU "was formed for the sole purpose of taking advantage of the United States". The broadside was just the latest reminder that his administration's trade wars against Canada, China and Mexico are heading Europe's way, too. Already its 25% levy on steel and aluminium imports has hit the EU. At the time of writing, there appears to be a significant chance of Trump going far beyond these with sweeping multi-sectoral tariffs.

This is part of a wider story. The second Trump administration has challenged Europe's territorial sovereignty (by threatening to annex Greenland), its digital model (by attacking its technology regulations), and its traditional political party systems (by courting radical European political forces). The president's approach to America's supposed allies on the continent evokes less a sober "strategic rebalancing" than the Ming dynasty's tributary system, with European leaders expected to kowtow to the emperor in Washington. Trump also appears inclined to pressure Ukraine and its European backers into a peace deal favourable to Russia, and to withdraw significant parts of America's security commitments on the continent.

The president has implicitly revealed why he thinks he can push Europe around like this. In a comment during his hectoring encounter with Volodymyr Zelensky in the White House on February 28th, Trump told his Ukrainian counterpart: "You don't have the cards." Cards are Trump's euphemism for power and leverage. And to the extent that the American president is capable of threatening Europe across a series of fronts, this is a function of the cards he holds and his willingness to play them aggressively. In other words: Trump seeks to exploit Europe's economic, technological, political and security vulnerabilities for coercive ends.

Europeans need to learn quickly how to play cards. They must assess the hand they have—Europe's own sources of leverage over Trump and Trump's America—and how to strengthen that hand. They must develop a clear and realistic plan of what they want to achieve in the transatlantic game of poker that is likely only just beginning. Where do they want to remain aligned with the US? Where do they want to rebalance the relationship? And where do they want to break from America? Then, Europeans will need to play their hand cannily in pursuit of those ends.

The first step in this process is to review that European hand of cards, what it would mean to play them and how Europeans should proceed with such decision making. Providing that review is the purpose of this policy brief.

Why deterrence matters

First, however, it is worth asking whether Europeans really should threaten to retaliate, and then do so if Trump follows through on his many threats.

After all, Canada and Mexico have deployed significant deterrents, alongside concessions and incentives, but nonetheless now face significant new tariff barriers. Trump evidently sees those not just as a form of leverage but as ends in themselves; a means of bringing manufacturing back to the US and a way to finance tax cuts. So seeking to raise their cost to an administration that sees the EU as an ideological foe may be a futile exercise. Europeans might wonder whether it is not better to let the costs of US tariffs rebound onto American businesses and households, and wait for Trump to reap a domestic backlash.

The EU and its European partners should indeed seek negotiated outcomes and hope that markets will eventually constrain the president. But neither of these considerations overrides the reality that Trump most fundamentally cares about cards—or in other words, power. So any European response will need to be rooted primarily in power rather than economics, rules or US domestic politics.

To use an analogy, nuclear weapons are bad for everyone. But if Vladimir Putin threatens to use them against Europe, that does not mean that Europe should simply pledge not to use such weapons in the hope that the Kremlin will recognise the lose-lose logic. Credible deterrence is needed. The same is true of Trump's threats today.

Can Europe put up such deterrence? The US president does not appear to believe so. Asked at a press briefing what would happen if Europeans retaliated against US tariffs, Trump retorted : "They can't. They can try. But they can't. [...] We are the pot of gold. We're the one that everybody wants. [...] We just go cold turkey; we don't buy anymore. And if that happens, we win." In other words: the US has "escalation dominance" over Europe; holding a superior position across a range of fronts—from military and diplomatic to economic and technological—that could make European retaliation a losing bet.

But the reality is more complex. If the essence of nuclear deterrence is mutual assured destruction (MAD), Europe needs to demonstrate another kind of MAD: mutual asymmetric dependency. Significant aspects of America's prosperity and geopolitical power have for years and sometimes decades benefited from good relations with Europe. And Europeans command certain of these chokepoints. In other words: they do hold cards.

Indeed, they have played them before. In 2018, when the first Trump administration threatened tariffs on European cars, Jean-Claude Juncker as European Commission president travelled to Washington with a basket of threats and offers, successfully deterring the US president from escalating the dispute. To be sure, Trump is markedly more aggressive and unchecked in his second administration, so what worked seven years ago would likely be inadequate this time. But the EU too has evolved over the intervening years and developed a harder geoeconomic edge and new deterrent tools. For example, its Anti-Coercion Instrument (ACI, sometimes dubbed the "bazooka") entered into force in December 2023 and provides the union with a structure for calibrating collective responses, such as counter-tariffs, to detrimental third-country policies.

It is a reminder that Europeans have cards, can continue to improve their hand and must now think hard about how to play them.

Assessing Europe's hand

The following tables set out Europe's options. They are split into five categories of measures: tariff and trade; services, intellectual property (IP) and digital; critical technology and infrastructure; financial; and people-to-people. Inevitably, there is some overlap between the categories. Equally inevitably, the tools in question are a dense thicket of acronyms; a brief, clarifying guide to which precedes each options table. The tables themselves indicate the rationale for using each measure, the actions and tools involved in doing so, and the prospective cost to Europeans on a scale of 1 to 10 (where 10 is the greatest risk of self-damage). That final point deserves particular reflection. None of the options listed involve no risk at all to European interests; but the degree of risk they present—and where in the EU they would fall heaviest—varies significantly.

Some further caveats are in order. Firstly, the damage scores are merely indicative, and the question of the potential harm done by each of these measures warrants further research. Secondly, this brief exclusively maps Europe's technological and economic deterrence options. It does not cover "cards" linked to non-commercial aspects of transatlantic defence and security cooperation, like US military access to European territory, air space and waters, or Europe-US intelligence sharing. Thirdly, this brief does not recommend any options above others. Which cards to play will depend on the actions of the US administration, as well as wider European considerations about how to combine and phase responses, how to blend deterrence with concessions and incentives to compromise, and how to manage and mitigate the costs to European interests.

Europe's cards

Tariff and trade measures

Other than the ACI, the most obvious trade and tariffs tool is the Enforcement Regulation, which enables the commission to impose countermeasures in the absence of a functioning World Trade Organisation (WTO) dispute settlement system. But the EU can also weaponise its agricultural and environmental standards to discriminate against American products; for example through its Farm to Fork Strategy (acts and regulations advancing food sustainability), its Emissions Trading Scheme (EU ETS), its Registration, Evaluation, Authorisation and Restriction of Chemicals regulation (REACH) and its Ecodesign for Sustainable Product Regulation (ESPR, which limits market access to non-European competitors failing to meet sustainability criteria).

Measure	Rationale	Actions	Tools	Cost to Europeans (1-10 scale)
Impose tariffs on US goods	Responds to US tariffs tit-for-tat Well-established retaliation tool Governments can model effects on both the US and the EU Allows targeted and precise measures against politically sensitive US products	Impose a 20% tariff on all US imports, excluding goods and sectors where the EU depends on US Apply selective and targeted tariffs of 100% or more on products in politically sensitive areas (for example those made in Republican-voting localities) Also apply these to products where the US relies disproportionately on exports to the EU and, ideally, where the EU can find alternative sources. These could include food and drink goods like cranberries, meat products, peanuts, processed food, soybeans, speciality crops and whisky; consumer products like footwear, household appliances, jeans, personal care items and motorcycles; and manufacturing inputs like industrial equipment, precious stones and metals, and plastics	‣ Safeguard measures (import restrictions and licencing in the event of "unforeseen developments") ‣ Enforcement Regulation ‣ ACI	Score: 4-8 Moderate risk; selective targeting minimises cost, but miscalibration or escalation could cause unintended supply-chain ripple effects Varying exposure across member states, but targeted tariffs allow the EU to spread the burden more equally US retaliation risk; possibility of tariffs aimed at specific states and industries (German cars, French agri-foods) leading to intra-EU divisions
Levy export taxes	Unlike tariffs on imports from the US, this focuses on exports to the US Follows the Canadian example of threatening an export tax on crude oil or electricity exports to the US Some 75% of US pharmaceutical imports come from Europe, with Ireland (20.4%) and Germany (10.8%) the two biggest sources by value High risk, but possibly high impact; disrupting US supply chains and industry in the short run and taking away some US tariff revenue	Apply export tariffs on EU exports on which the US industrial base relies Mirroring for maximum pain; for example, if the US imposes a 20% import tariff on EU machinery, electrical equipment or pharmaceuticals, the EU could retaliate with a 20% export tariff on the same items, creating sharp price pressure on important supply chains in the US	‣ ACI	Score: 8-10 High-risk tactic adding even more pressure on already-exposed sectors and goods, threatening entire industries Highly asymmetric effect on specific EU countries and industries US could retaliate again in the same sector, leading to possible breakdown in trade, or target other sectors of EU vulnerability
Tighten standards and regulations	Use product or market standards to discriminate against non-compliant products, focusing on US export sectors, such as agri-food or electronics Provides behind-the-scenes trade protection and resilience with less overt retaliation	Tighten "mirror clauses" upholding European standards in existing regulation for agri-food imports (for example, ban US pesticides affecting corn, dairy, meat and soy) Exclude American car companies from selling emission credits (worth about $1bn per year for Tesla) Adopt new ‣ "common specifications" under existing regulations (for example open-software mandates, "internet of things" technical requirements, product lifecycle and recyclability standards)	‣ Farm to Fork Strategy ‣ ESPR ‣ REACH ‣ EU ETS	Score: 3-4 Lower self-damage but also lower deterrent effect; and cost to Europeans could grow if there are no easy replacements for US products Member states importing large volumes of agri-food or industrial components from US (like Ireland and the Netherlands) are more vulnerable
Remove Republican-state goods from EU shelves	Following the Canadian model, banning selected red-state US products (Kentucky bourbon, Tennessee whiskey) carries symbolic weight Although trade volumes are small, iconic products draw media and public attention	Revoke or refuse member-state sale licences for goods from certain US states (for example, select liquors or tobacco)	‣ National and subnational licensing frameworks	Score: 1-3 Low commercial impact with minimal consumer disruption, thanks to available substitutes US retaliation on EU alcohols such as wine and champagne would have asymmetric effect on France, Italy and Spain
Tax transatlantic shipping	Major EU shipping lines (CMA CGM, Hapag-Lloyd, Maersk) control 33% of global container capacity Influential maritime insurers (like Allianz, AXA and Lloyd's of London) underwrite a significant share of global shipping Targeting shipping can pressure politically sensitive US constituencies	Impose a "transatlantic container levy" (surcharge on each container of US-origin goods), uniform or scaled for politically sensitive goods and ports, similar to current US proposals targeting Chinese shipping Exert pressure on insurers to impose higher premiums on specific US routes (for example, targeting Republican states) based on geopolitical risk	‣ National and EU maritime and port regulations governing port fees and cargo-handling rules ‣ ACI ‣ National insurance regulators' review of underwriting practices	Score: 6-9 Potentially very disruptive, as EU exports more goods to the US than it imports from it Increased costs for EU importers; major EU ports (Rotterdam, Antwerp and Hamburg) risk losing business; asymmetric effects across key shipping countries (Denmark, France, Germany, Greece and the Netherlands) High risk of US retaliation. Washington's preparations to target Chinese shipping provide a template for measures against the EU

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Services, intellectual property and digital measures

Two new digital acts enable the EU to clamp down on American software and online platforms: the Digital Services Act (DSA) regulates online marketplaces, social networks and content-sharing platforms, while the Digital Markets Act (DMA) ensures that large digital "gatekeepers" respect the single market. The commission has significant tools to fine and otherwise sanction firms for non-compliance with either. But further levers also apply in this area: the EU's General Data Protection Regulation (GDPR) imposes stringent protection and privacy rules on data processing and transfers, and the Network and Information Security Directive (NIS2) is a unified legal framework upholding cybersecurity in 18 critical sectors across the EU. National authorities enforce these, with the EU playing a cross-border coordination role. Meanwhile Vertical Block Exemption Regulation (VBER) provides exemptions from the EU's competition laws.

Financial regulations too can weigh down US services firms. The Markets in Financial Instruments Directive II (MiFID II) and Markets in Financial Instruments Regulation (MiFIR) can convey and withhold passport-like rights for companies offering financial services and trading platforms in the European Economic Area. And the commission determines whether the financial regulatory or supervisory regime of a non-EU country is equivalent to the corresponding EU framework.

Measure	Rationale	Actions	Tools	Cost to Europeans (1-10 scale)
Retaliate against US services and IP	The US has a large services surplus with the EU (over €100bn), providing ample room for measures in the EU's favour Measures can be targeted and calibrated, although the EU has no experience in service-trade retaliation US service companies (asset management, health, digital and management) rely heavily on EU market revenues and operations	Impose a progressive special tax on US providers in sectors such as cloud or financial services Revise "equivalence" for US asset managers, trading houses, credit rating agencies, investment firms and other financial service providers through stricter "resilience" standards (local subsidiaries, data storage), limiting their market access Threaten modifications to patent and IP terms, such as compulsory licensing, suspension of copyright protections, or higher patent fees Raise common taxes on specific royalties and IP-related payments for patents or licences registered in the EU	‣ ACI ‣ Commission decisions on EU equivalence under MiFID II and MiFIR ‣ Enforcement Regulation ‣ National patent coordination ‣ Proposed regulation on compulsory patent licensing in the event of crises ‣ National tax codes	Score: 3-9 Targeted and narrow measures impose limited harm; more aggressive actions, such as compulsory licences, could provoke strong US retaliation and unintended consequences Varying exposure, with Ireland, Luxembourg and the Netherlands vulnerable on IP measures, and France and Germany on financial ones US retaliation options are expansive; the EU is a major exporter of financial services, management consulting and digital services and has significant FDI exposure in the US
Clamp down on US big tech	Target the Trumpian alliance of nationalist and technologically libertarian forces Digital regulation is already a European policy priority US digital giants (Google, Meta, Amazon, Microsoft and X) have large European revenues (Meta, for example, generates almost a quarter of its global revenue in Europe) The European digital advertising market is worth $100bn	Enforce stricter algorithmic transparency and require ties to verified EU digital identity Restrict advertising sales on social media platforms, advertising channels, search engines and online retailers Temporarily ban market access or revoke operating licences for digital platforms that violate content rules, propagate election interference or foreign propaganda, or back aggressive US measures against EU rules Enforce fines under the DSA up to 6% of global turnover (so $18.5bn for Alphabet in 2023; $34bn for Amazon; $8bn for Meta) and the DMA (up to 10% for first offenders), cumulatively threatening business models Amend the DMA and competition policy to enable easier break-up or forced divestment of monopolistic technology companies Expand and/or standardise digital services taxes across the EU if the US is unwilling to return to the Organisation for Economic Cooperation and Development (OECD) agreement on a minimum 15% corporate tax rate	‣ ACI ‣ The DSA and DMA ‣ Vertical Block Exemption Regulation (VBER) ‣ GDPR ‣ Potential national digital service taxes	Score: 3-7 Partial fines or targeted measures minimise harm to European interests; full bans would raise harm significantly Could reduce platform options for EU consumers; countries with major US data centres and digital ecosystems (like Ireland and the Netherlands) may experience most harm US may restrict EU digital firms' access to its markets or frustrate merger and acquisition activity involving US firms US companies may pull services from the EU
Restrict data transfers	EU courts have repeatedly found US data protection to be inadequate A more hostile US administration and less US judicial accountability could raise risks of technological and industrial espionage and the misuse of personal data	Suspend individual US companies from the EU-US Data Privacy Framework which enables personal data flows, or revoke the adequacy decisions for the framework Mandate that public, health, or financial data be stored and processed exclusively within the EU unless explicitly authorised Prohibit export of especially sensitive data (biometric, genetic, national identity)	‣ GDPR enforcement (national data protection acts and European Court of Justice rulings) ‣ ACI ‣ NIS2	Score: 5-10 Painful and potentially crippling for EU businesses relying on US cloud, analytics and other digital services Digital hubs (Ireland, Luxembourg and the Netherlands) are most at risk US retaliation could result in reciprocal data restrictions or limit EU firms operating in the US

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Critical technology and infrastructure measures

Alongside some of the levers already discussed (like the ACI and NIS2), the EU can use various foreign-policy, defence and energy regulation tools to restrict American access to its critical infrastructure. The Permanent Structured Cooperation (PESCO) framework for joint military capability-building projects, the European Defence Fund (EDF) coordinating defence research and interoperability, and now the new ReArm Europe financing initiative can curb European procurement from US firms. Other tools enable Europeans to discriminate against those firms on strategic grounds: Article 346 of the Treaty on the Functioning of the European Union (TFEU) exempts military procurement from some single-market rules, the European Union Agency for Cybersecurity's (ENISA) certification process provides common cyber standards, the EU Dual-Use Regulation restricts sensitive technology exports, and its Foreign Direct Investment (FDI) Regulation allows for the screening of inbound investments.

But other "civilian" mechanisms also apply in this area. The International Procurement Instrument (IPI) enables the commission to impose tit-for-tat market restrictions on firms from countries that restrict their European counterparts, and the recently implemented Foreign Subsidies Regulation (FSR) enables Europeans to target companies in receipt of foreign subsidies. The EU can likewise use its Methane Regulation (monitoring and reducing methane emissions) and the Carbon Border Adjustment Mechanism (CBAM, the carbon tariff on imports to the EU coming into full force in 2026) to tighten the screws on US firms. Where critical technology is concerned, the EU's AI Act (the world's first) and its Horizon Europe and Digital Europe research programmes can be turned against US technology giants.

Measure	Rationale	Actions	Tools	Cost to Europeans (1-10 scale)
Restrict US participation in public procurement	Counteract US "Buy American" policies that restrict EU firms Although international procurement awards in the EU are small, they have strong political visibility Measures could simultaneously support EU industrial policy and competitiveness goals US cloud giants, energy companies and consulting firms compete for European public contracts, often via local subsidiaries	Limit or exclude US participation in EU government contracts (cloud, health, digital and energy), including EU-headquartered foreign subsidiaries Mandate minimum domestic sourcing targets for public contracts, including for materials and components Alternatively, impose price penalties or demand procurement reciprocity Limit or exclude US companies from EU defence initiatives by invoking security interests	‣ Revised EU public procurement rules ‣ IPI ‣ ACI ‣ EDF, PESCO, EDIP and ReArm Europe ‣ Article 346 of the TFEU	Score: 3-6 Limited immediate economic impact; but risks are concentrated in sectors requiring specialised US inputs and where few alternatives exist Countries reliant on US equipment (defence, aerospace, medical devices and cloud computing) may be the most affected (Germany, Poland and Romania) The US might close or further restrict procurement avenues for EU defence and infrastructure firms
Tighten access to EU critical infrastructure	US cloud providers hold approximately 69% of the EU market US satellite operators like Starlink depend on EU member states allocating part of their network spectrum for satellite services Restricting foreign ownership and foreign dependency in the realm of critical infrastructure supports wider EU economic security objectives	Designate cloud and satellite sectors as "critical infrastructure" requiring majority-EU ownership, local incorporation, or immunity from non-EU laws Mandate that sensitive and strategic data be stored and processed solely within EU-based data centres Revoke or deny Starlink operational licences Mandate (phased) open-source solutions in public IT to reduce US cloud dependence Strengthen FDI screening and controls to safeguard European IP and emerging technology sectors	‣ NIS2 ‣ FDI screening ‣ ENISA certification ‣ ACI ‣ FSR	Score: 3-6 The harm to Europe depends on whether the measure is limited or more expansive There may be increased costs for public and private sectors switching from US providers; member states reliant on US cloud or satellite services (especially in rural areas) may suffer The US could block software or hardware exports vital to EU critical infrastructure
Target US energy imports	The EU is a major buyer of US liquified natural gas (LNG) (55% of US exports) and crude oil (47%), with American east-coast exporters especially depending on the EU market Reducing US energy imports increases EU energy risk but puts pressure on key US exporters EU faces supply constraints, though more global gas projects are coming online in 2026-2027, offering diversification options	Impose retaliatory tariffs on US LNG and crude oil Phase out or restrict new long-term US energy contracts, potentially with a special levy or subsidy conditionality on any newly signed contract if it runs counter to energy or national security goals Adopt or strengthen methane regulations for energy imports in ways that US producers will struggle to meet	‣ ACI ‣ Methane Regulation ‣ CBAM ‣ EU and national energy regulators ‣ Coordinated EU gas purchasing initiatives	Score: 6-10 High potential of short-term cost to Europe; a phased, long-term approach could mitigate immediate shocks Energy-intensive industries (like Germany) and states dependent on US LNG (like France, Germany, the Netherlands and Spain) are most vulnerable US retaliation could restrict US LNG or LNG technology exports
Export control licences on key technologies	American industry relies on EU advanced technology in certain areas (extreme ultraviolet lithography, precision instruments and machinery, industrial lasers, robotics, specialty polymers, composites, and chemical catalysts) Critical components sourced from Europe support US aerospace, automotive, defence, and critical technology industries	Tighten or impose export licences for advanced machinery and materials Implement a "reciprocity rule" with quotas on high-end exports to the US, mirroring the quotas of the US AI Diffusion rule that limits chip exports to the EU	‣ EU Dual-Use Regulation ‣ National export control authorities ‣ ACI ‣ Article 346 of the TFEU	Score: 3-10 High risk; European high-profile manufacturers could lose a major market; secondary effects could be very large Some member states are especially exposed, including France (aerospace), Germany (machine tools), and the Netherlands (lithography) US retaliation risk is very high; key components essential to EU industries and defence could be blocked
Limit AI collaboration	Liberal AI, technology, and science talent in the US is politically disillusioned The US leads in AI but is tightening technology sharing; limiting cooperation with US could force more reciprocity	Offer generous tax breaks to attract US AI and other technology talent to Europe as a form of technology transfer Exclude or reduce US participation in Horizon Europe AI and other critical-technology projects Limit US participation in EU AI chip research institutions such as CEA-Leti, Fraunhofer, IMEC or VTT Ban certain "high-risk" US AI systems if reciprocity in AI chip access is not met Focus on forging alternative AI alliances (open-source with non-US partners)	‣ National tax laws ‣ AI Act ‣ Horizon Europe and Digital Europe rules ‣ National research agencies ‣ ACI	Score: 3-10 Attracting US talent creates significant benefits; however, restricting research cooperation risks major long-term setbacks Potential loss of synergy may prompt EU researchers to relocate to the US US could tighten technology controls and limit EU researchers' access to American labs

Financial measures

The EU and its member states have various means of loosening their financial relationships with the US. Measures to reduce US debt holdings and dollar-denominated trade could harness the Capital Requirements Directive/Regulation (CRD/CRR) and Solvency II regulations, whose prudential standards encompass banking licences and risk weightings, and the European Central Bank's (ECB) currency swap lines, which can incentivise euro-denominated transactions and collateral holdings to weaken the dollar. Financial market protections like the Anti-Money-Laundering (AML) directives targeting hot money and the Markets in Crypto-Assets Regulation (MiCA) governing cryptocurrencies can take aim at the (often Trump-friendly) US crypto scene.

Measure	Rationale	Actions	Tools	Cost to Europeans (1-10 scale)
Limit holdings of US debt	Fully 64% of international debts are USD-denominated EU states hold some $1.55trn in US debt (Treasuries); selloffs could unsettle US capital markets, increasing political pressure Could support long-term EU financial resilience	Mandate public funds, such as pension funds, to cap or gradually reduce US Treasuries holdings; coordinate partial divestment among the ECB and national central banks Increase capital requirements for banks holding US Treasuries by treating them as higher risk Expand Eurobonds (for example, on defence) to create alternative safe assets Require a minimum percentage of public assets, such as pension funds, to be invested in EU-domiciled enterprises or strategic sectors Promote "resilience standards" for companies investing heavily in EU strategic value chains (defence, infrastructure) to help asset managers tilt portfolios towards Europe	‣ National pension allocation rules ‣ ECB/Eurogroup coordination ‣ Prudential regulations CRD/CRR, Solvency II) for selling or adjusting risk-weighting of US Treasuries	Score: 3-6 Abrupt selloffs increase market volatility; long-term coordinated selloffs come with less risk Countries such as Belgium, France, Ireland, and Luxembourg are more exposed due to large positions in US Treasuries Washington could retaliate by restricting EU funds or banks from accessing US capital markets
Shut down crypto	Prominent US crypto figures and platforms are linked to Trump, raising risks of graft and fraud Major US crypto firms (Coinbase, Binance) serve EU user bases	Refuse or revoke operating licences to US-based crypto exchanges	‣ MiCA ‣ AML directives; EU AML authority ‣ ACI	Score: 1-2 Minimal direct impact as crypto remains a niche market
Reduce US dollar usage	50% of global trade invoices are in dollars and many commodities are priced in dollars De-dollarisation builds long-term EU resilience, rather than being just a short-term retaliation US destabilising policies offer new windows for de-dollarisation	Expand promotion of (or mandate) euro invoicing in bilateral trade deals like EU critical raw material or energy transactions ECB to expand swap lines massively, providing euros to emerging economy central banks and reducing their dollar reliance Reward companies in critical sectors such as defence for using euros (for example, through tax incentives) Develop a ring-fenced messaging and payment system independent of US control (for example, limit US access to the SWIFT cross-border transfer system) Break Mastercard and Visa duopoly by expediting the introduction of a digital euro	‣ ECB cooperation on currency swaps ‣ National treasuries supporting euro invoicing ‣ New tools to support companies shifting their invoicing	Score: 4-10 Long-term strategic benefits, but transitional costs may affect European companies that have built their operations around the dollar Leveraging SWIFT would come with major direct and second-order risks US may restrict EU banks' access to the dollar, which could threaten entire banks, or impose other punitive measures like banking sanctions
Use Europe's tax power	US multinationals (pharmaceuticals, big technology companies) exploit EU tax havens Only one fifth of the world's largest multinationals are headquartered in the EU, but more than 80% have a legal presence in the EU The OECD's 15% global minimum corporate tax sets a target the EU could enforce	Impose common EU withholding taxes on royalties, dividends, and interest fees to target tax avoidance by US multinationals Classify special tax deals in Ireland or the Netherlands as illegal state aid via EU's competition authority Enforce extraterritorial taxes on EU sales of US companies underpaying the OECD minimum tax in their home country Mandate a minimum effective tax for EU-domiciled firms investing in the US Establish a minimum effective carbon tax rate with a top-up if corporate global pricing is below the threshold	‣ National tax code reforms ‣ EU competition rules ‣ IP law modifications ‣ ACI	Score: 3-9 Tightly focused measures pose low harm; broad or abrupt hikes risk deterring foreign investment and triggering sharp retaliation States reliant on favourable tax regimes (Ireland, Luxembourg and the Netherlands) may be adversely affected, though others might gain from a fairer tax playing field High risk of US retaliation via tariffs, mirror taxes, or other restrictions

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People-to-people measures

In this area, too, the ACI can be useful. So too can the EU sanctions tool enshrined in its Common Foreign and Security Policy.

Measure	Rationale	Actions	Tools	Cost to Europeans (1-10 scale)
Support consumer backlash and discourage US tourism	Over 10 million Europeans visit the US annually Promoting "buy local" can undercut US brand strength, support EU alternatives, and generate public backlash against Trump administration in the US	Launch official campaigns urging EU consumers to favour local products over US brands (food, clothing, technology and entertainment) Promote domestic tourism as an alternative to trips to the US	‣ Public statements by EU leaders and campaigns by varied actors	Score: 1-3 Minimal direct harm; risk increases if the US retaliates by deterring American tourists (US has a $27bn travel trade deficit with Europe) Major EU tourism economies (France, Greece, Italy and Spain) would be the most affected
Sanction individuals	Sanctions as a retaliation tool are highly unlikely and would unnecessarily escalate, but can be used against US individuals interfering in European democratic processes and elections Focus on high-profile US financiers, technology oligarchs, and other "enablers"	Blacklist specific US individuals (financiers and technology moguls) who are undermining European democracy Freeze European assets and impose travel bans	‣ EU sanctions framework ‣ National asset seizure laws ‣ ACI	Score: 1-10 Economically limited impact, but carries major risk of political escalation May trigger sanctions against European officials or business leaders; unanimous European Council approval would be very difficult

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How to build Europe's economic deterrence regime

While it is beyond the remit of this policy brief to specify which cards the EU should prepare to play, it does propose that the union create a proper framework for deliberating on and reaching those decisions. Despite the advances of recent years—including the adoption of the ACI, the FDI regulation and the FSR—EU institutions and member-state capitals still treat economic deterrence as a narrow, defensive matter of risk mitigation. Faced with an antagonistic US administration as well as other adversaries like Russia and China, it must now build more pro-active and politically coordinated structures for action.

1. Publish an economic power doctrine

- The EU, led by the commission and major member states, must define a fully-fledged economic power doctrine that articulates how, why and for what purpose Europe will use economic power in the age of cards.
- The doctrine must make explicit that checking coercive threats, preparing a war-ready economy, building and maintaining positions of asymmetric leverage, and cutting technological and industrial dependencies are vital European security interests. It should assert the case for Europeans to pool and deploy economic power in pursuit of these interests, even if this means challenging international trade rules.
- Europe's core interests are to promote economic growth and protect its citizens—not to uphold international trade rules per se. These ends have long overlapped, but the Trumpian revolution, China's unrelating mercantilism, and Russia's destructive ambitions have already decoupled significant parts of the global economy from such strictures. Europeans can only restore international rules and institutions from a position of power.

2. Appoint an economic deterrence tsar

- Europe's negotiations with great powers like the US or China cannot be fragmented. Inspired by Michel Barnier's centralised mandate to lead the Brexit talks with the British government on behalf of the EU, the union must appoint an economic deterrence tsar reporting directly to the European Commission president and not bound by organisational silos.

- This tsar should wield a broad, cross-sectoral mandate encompassing trade, finance, digital, and regulatory domains. They should have clear authority to coordinate rapid responses spanning those domains, and to implement a credible, unified communication strategy both within the EU and externally.
- In close coordination with an EU Economic Security Network (EU ESN) as proposed by ECFR's Agathe Demarais and Abraham Newmann of Georgetown University, the economic deterrence tsar should be tasked with developing a unified map of Europe's dependencies and leverage points across different policy domains. This knowledge is currently scattered across the commission and across member states.

3. Establish an economic deterrence steering group

- Recognising that not all member states may fully embrace this agenda, those who do should form a "coalition of the willing" by establishing an economic deterrence steering group. The group would propose strategic directions for the deterrence tsar and ensure prompt, coordinated action across the bloc.
- This group could include heads of government from leading EU economic and technological powers (France, Germany, Italy, the Netherlands, Poland, Spain and Sweden) along with the presidents of the commission and the council. Trusted non-EU allies—especially the United Kingdom—should be integrated in an associate capacity, formalised perhaps through the planned EU-UK security pact, to align on responses to coercion and other pressures.
- This model would mirror how France, Germany, Poland, and the UK have taken a central role in planning European security guarantees for Ukraine in recent weeks.

4. ACI 2.0

- Europe's most potent deterrence tool, the ACI, requires two qualified-majority votes and prolonged consultations. It would benefit from a fast-track mechanism that can be triggered by the deterrence tsar, enabling emergency responses within a defined timeframe (for example, a 72-hour decision window).
- Simultaneously, the EU should redefine "coercion" within the ACI to encompass a broader spectrum of threats; including digital sabotage, political destabilisation, cyber attacks on individual companies and assaults on democratic processes.

5. Shoring up the power base

- The EU should establish an economic solidarity fund, financed by revenues from tariffs, digital fines, and other geoeconomic penalties, to compensate member states or sectors that are disproportionately affected by foreign aggression or EU retaliatory measures.

- In parallel, it should target support measures—such as grants and low-interest loans—to help strategic industries that are vulnerable to foreign weaponisation build alternative sourcing and secure supply chains, following the example of Japan. The European Investment Bank could finance these programmes, with specific funding calls for proposals for de-risking industries.

The long game

Preparing robust defences against US aggression could, counter-intuitively, stabilise the transatlantic bond in the long run. If Europe can credibly show that bullying tactics will backfire or amount to mere Pyrrhic victories, it could over time weaken those factions in Washington that back Trump's combative and lose-lose use of America's cards. It could even change some minds. By playing a united hand, Europeans can disprove Trump's claim that Europe cannot match him in upping the ante.

But that will mean building the infrastructure needed to join up the relevant assets and decisions. Whether it is a game of British *bridge,* Dutch *toepen,* French *belote,* German *skat,* Italian *briscola,* Latvian *zole,* Polish *baska,* or Spanish *el mus,* victory at the card table usually comes from combining mutually complementary cards at the right time. Ultimately, Europe's strength in this new age depends on its ability to consolidate its economic cards into one formidable hand and play that hand smartly, transforming individual assets into a collective trump card against coercion.

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Acknowledgements

The author would like to express his gratitude to the numerous colleagues from ECFR and beyond who have encouraged him to put these ideas on paper and who have contributed their insights, frameworks, and feedback. In particular, Mark Leonard provided invaluable vision, and Jeremy Cliffe offered masterful editing and sharp feedback. Nastassia Zenovich and Chris Herrmann embellished the visual appeal, and many colleagues from ECFR's communications and advocacy teams have devoted countless hours to ensuring that this brief is conveyed in a variety of creative ways. A true team effort.

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ISBN: 978-1-916682-76-4. Published by the European Council on Foreign Relations (ECFR), 4th Floor, Tennyson House, 159-165 Great Portland Street, London W1W 5PA, United Kingdom.