

Global risks and opportunities in Trump's aggressive economic strategy

International Desk

Experts suggest that the onset of Donald Trump's second presidential term has ushered in a period of economic uncertainty globally. While Trump has laid out an extensive aggressive economic plan targeting various sectors around the world, amidst the looming economic storm, what are the economic risks and opportunities for countries?

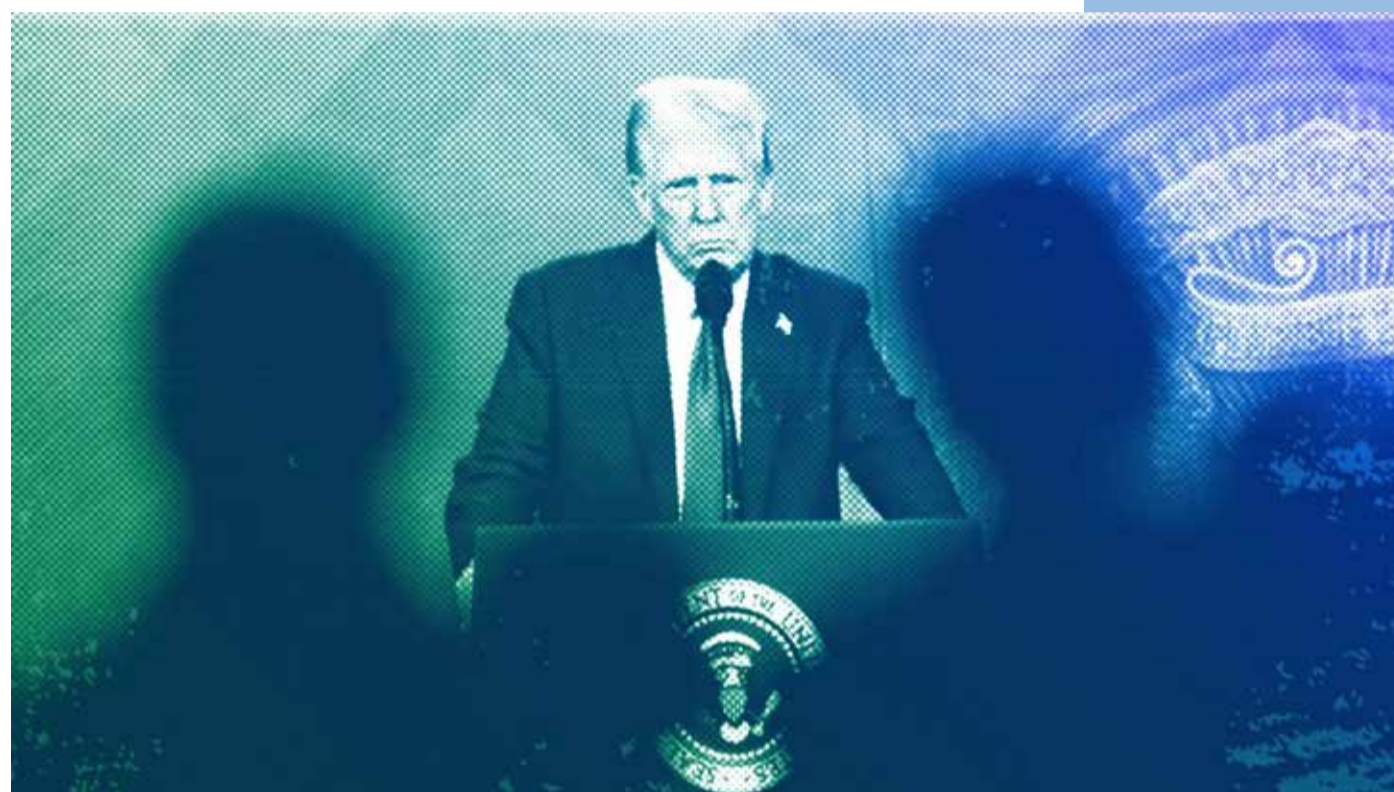
As Trump commences his second term in the United States, the world is bracing itself for the economic changes his administration intends to bring about. Trump's administration approach, characterized by "America First" policies, emphasizes protectionism, deregulation, and a combative stance on trade. His anticipated policies—including new tariffs, renegotiation of trade agreements, and domestic financial measures—are expected to impact economies across the globe in diverse ways. This article delves into the economic outlook for different regions under Trump's leadership.

US: Focusing on domestic strength and protectionism

Trump's reelection signifies a continuation of policies aimed at bolstering domestic industries, reducing the trade deficit, and prioritizing American jobs. However, these policies carry both opportunities and risks for the US economy.

It is likely that the Trump administration will impose additional tariffs on key trading partners, including China, Canada, and the European Union. The objective of these measures is to protect domestic producers, particularly in industries such as steel, aluminum, and automotive manufacturing. While tariffs may provide short-term relief for American industries, economists are warning of potential retaliatory actions from trading partners, which could disrupt global supply chains and drive up consumer prices.

The Federal Reserve's monetary policy will play a crucial role in determining economic stability throughout Trump's second term. Having significantly cut



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interest rates over the past year, the Fed is expected to take a cautious approach, balancing inflation concerns with the need to support economic growth. Jerome Powell, the Fed Chair, has stressed the importance of financial transparency from the government to guide future monetary decisions.

One of the key promises of Trump's campaign was the revitalization of America's infrastructure. Experts anticipate an uptick in federal spending on roads, bridges, and technology, which could create jobs and strengthen the manufacturing sector. Nonetheless, questions remain about how to fund these projects without exacerbating the national debt, which has al-

ready reached unprecedented levels.

Europe: Challenges and adaptations facing US policies

Trump's second presidential term is expected to challenge the European Union (EU) as well, with rising tariffs and trade barriers. The US government's protectionist approach, epitomized by the "America First" slogan, is likely to target key European industries, from automobiles to agriculture. Historically, the EU has faced criticism from Trump, particularly regarding car imports and agricultural products. European leaders are gearing up for the potential imposition of new tariffs on essential exports,

including cars and agricultural goods. Such actions could harm major EU economies like Germany and France. In response, the EU has indicated a willingness to negotiate but remains committed to defending its economic interests.

The automotive sector remains a critical flashpoint. During his first term, Trump threatened to impose tariffs of up to 25% on European car exports, justifying this move with national security concerns. Although these tariffs were postponed following negotiations, they may come into effect during his second term. The European Automobile Manufacturers Association estimates that such tariffs could cost the EU approximately \$5 billion an-

nually, reducing exports in this sector by up to 25%. Germany, as the automotive hub of the bloc, would be disproportionately affected by these policies, with noticeable repercussions for its economy.

Agricultural disputes

The agricultural sector is another contentious area. The Trump administration has criticized EU policies that restrict imports of genetically modified organisms (GMOs) and hormone-treated beef. Efforts to pressure the EU to relax stringent food safety regulations could intensify, impacting European farmers and consumers alike. According to the European Commission, agriculture accounts for about 6% of the EU's GDP, highlighting the vulnerability of this sector to trade disputes.

President of the European Central Bank (ECB) Christine Lagarde has called for greater economic integration within the European Union to tackle external pressures. Europe aims to cut down its reliance on foreign trade by strengthening internal markets and promoting innovation. Analysts are spotlighting green energy and digital technologies as potential areas for significant growth for the EU.

Investment opportunities

Despite the challenges arising from US policies, some investors remain optimistic about Europe's prospects. Larry Fink, CEO of BlackRock, has argued that negative sentiments surrounding the European economy are overstated. He points to opportunities in sustainable finance and technology as reasons for long-term optimism.

The European Union has announced that it will respond in kind to any aggressive trade actions taken by the United States. In 2020, following a ruling from the World Trade Organization (WTO) regarding subsidies, the European Commission imposed tariffs worth \$4 billion on American goods, including airplanes and agricultural products. This tit-for-tat approach is expected to continue, likely leading to further trade disruptions.

The combination of tariffs and retaliatory actions is predicted to dampen trade flows, raise business costs, and create economic uncertainty across the EU. A report from the ECB warns that a rise in protectionist policies could trim the bloc's GDP growth by up to 0.5% annually. This scenario would exacerbate existing challenges, including the recession stemming from post-pandemic recovery and fluctuations in energy markets.

In light of these challenges, the EU is exploring ways to counter US tariffs, including bolstering trade partnerships with Asia and Africa. Initiatives such as the Comprehensive Agreement on Investment (CAI) with China and the EU-Africa trade partnership underscore Brussels' commitment to diversifying its



China continues to be at the forefront of Trump's trade agenda and foreign policy. The trade war between the US and China, which dominated much of Trump's first term, is expected to escalate during his second term.



A woman gestures as people wait for Donald Trump on the day the US president attends an event on the economy on January 25, 2025.
LEAH MILLIS/REUTERS

