



To the point!



Cross-Asset- and Strategy-Research

Trump in MAGA turbo mode

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Europe must brace for impact

For a long time, the world speculated, hoped, and feared: did Donald Trump really mean all the things he said during his election campaign? Mass deportations of undocumented immigrants? Tariffs against trading partners? The answer, after just over two weeks of his presidency, is evidently: Yes, he is following through, albeit more erratically and aggressively than expected. Instead of "America first," it looks like "America alone".

Multilateralism is a thing of the past. Trump is leveraging the economic and military weight of the U.S. to force other countries to comply with what his Mar-a-Lago-centric MAGA worldview dictates. The doggedness with which Trump and his sycophants are willfully dismantling the soft power the U.S. has built over decades is nothing short of breathtaking. The playground bully Donald clearly does not care whether he has friends. The main thing is that he is "respected".

"Here, everyone is free to do what I want!"

Tariffs are the weapon of choice – regardless of the goal at hand. Under Trump, the U.S. uses the threat of tariffs to put other countries in a chokehold and extract concessions that may have nothing to do with trade. The first country to receive a tariff offer it couldn't refuse was Colombia. A country with which the U.S. actually has a trade surplus! But Bogotá was not sufficiently submissive to U.S. conditions when receiving its deported citizens. It is clear who lost out in this confrontation.

The law of the strongest also applies to dealings with neighboring Mexico and Canada, with whom the U.S. is actually bound by a free trade agreement. Trump suspended the already decreed tariffs of 25% (!) for a month a few hours before they took

„America first“
becomes
"America alone"

Tariffs as
leverage for
everything

effect, after the neighbors had been bullied into making concessions. Again, it was never about trade. Trump demanded better border controls to stop illegal immigrants and a crackdown on drug trafficking. What will he demand next month?

The first official trip of the new Secretary of State, Marco Rubio (mocked by Trump as "Little Marco" before his conversion to the church of MAGA), led him to Panama, where he demanded control over the canal without excessive regard for diplomatic conventions. "By hook or by crook, we want it back!" was Rubio's main argument, acting as Trump's messenger boy. And so, it continues: the Palestinians are to disappear from the Gaza Strip to make way for a US-owned "Riviera of the Middle East". Kiev is blackmailed as Trump promises further military aid only if Ukraine pledges its reserves of rare earth metals to the U.S.

Next stop: "Europe"?

Since taking office, Trump has repeatedly stated that the European Union is an "atrocious" on trade, treating the U.S. "terribly". The charge: Europe buys too few American goods (see chart). The fact that his ire is particularly stirred by the alleged omnipresence of European cars on American roads is not a good omen. For the German economy, America is the most important export destination. The dependence on the U.S. is particularly high in the sectors of pharmaceuticals, mechanical engineering, and automobiles. According to LBBW Research, it has been very likely since the election that Trump will make good on his tariff threats against Europe. This is the main reason why we are forecasting a third year of economic stagnation for Germany in 2025.

Brussels will try to negotiate. But its position is weak: the U.S. is far less dependent on exports to Europe than vice versa. And the EU is more divided than ever. And its two most important economies, Germany and France, currently lack fully functioning governments. Europe, brace yourself! Expect the unexpected.

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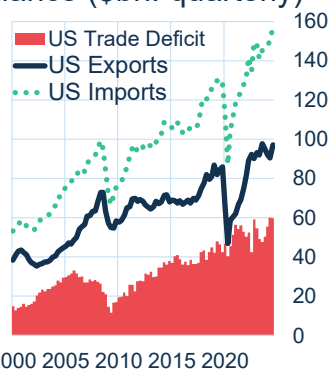
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Trump keeps Mexico and Canada on a short leash

U.S.-EU bilateral trade balance (\$bn. quarterly)



Source: [BEA](#), LBBW Research
Last observation: Q3/2024