



## WASHINGTON WIELDS TARIFFS AS A WEAPON, EUROPE LEARNS THE COST OF DEPENDENCE

**By tying the imposition of new tariffs to Europe's acceptance of his plan to acquire Greenland, Donald Trump is taking another step in using trade as an instrument of geopolitical coercion. The announcement of 10% duties, set to rise to 25% by the summer, targets several key pillars of the European economy, from France to Germany, including the United Kingdom and the Nordic countries.**

Behind the excess of the statement – *“World Peace is at stake”* – lies a now openly assumed doctrine: alliances are no longer stable frameworks, but power relationships to be constantly renegotiated. Greenland, an autonomous Danish territory at the heart of the Arctic, crystallises this shift. Its strategic position vis-à-vis Russia, the opening of polar routes and access to critical resources make it, in Washington's eyes, a global security asset that justifies maximum pressure on its allies.

This political sequence comes with a potentially significant economic cost, on the order of 0.2% to 0.5% of growth depending on the intensity of the tariff threat. **Foreign trade figures highlight the extent of transatlantic interdependence: nearly €870 billion in annual trade in goods between the European Union and the United States. Europe records a large surplus in goods – around €530 billion in exports versus €335 billion in imports – while the United States clearly dominates in services.** Taken together, goods and services remain broadly balanced, but on a scale large enough that any tariff escalation would have immediate effects on industrial supply chains, inflation and investment.

**In response to what he describes as “economic coercion”, Emmanuel Macron is calling for the activation of the European anti-coercion instrument, adopted in 2023 but never used.** The aim is both to restrict access to the single market for certain US companies and to send an extremely strong political signal about the EU's determination to stop yielding to trade pressure. However, the likelihood of this being activated remains relatively low given the need to obtain a qualified majority representing 55% of Member States and 65% of the European population, especially since several leaders, such as Giorgia Meloni, are calling for restraint. Beyond the tariff risk, Washington is also threatening to withdraw its support on the Ukrainian issue, which should also encourage Europe to seek a compromise with Donald Trump rather than engage in a standoff in which it would have much to lose.

**On the markets, this awakening has translated into an unambiguous signal. At the start of 2026, European defence stocks have been experiencing a spectacular rally.** The Stoxx Europe Aerospace & Defence index has risen by nearly 15%<sup>1</sup> in a matter of weeks, extending a trend that began with the war in Ukraine. Companies such as Saab, Rheinmetall and BAE Systems<sup>2</sup> are benefitting from expectations of a sustained increase in defence budgets, as investors bet on a Europe forced to strengthen its sovereign capabilities in the face of an American ally perceived as increasingly unpredictable.

**The break is strategic as well. Recent events – threats over Greenland, US intervention in Venezuela, implicit rhetoric about withdrawing security guarantees – have revived the notion that the United States can no longer be considered an unconditional pillar of European defence.**

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<sup>1</sup> Source: Bloomberg / Edmond de Rothschild de Rothschild AM (France), data as of January 19, 2026.

<sup>2</sup> The information on securities should not be construed as an opinion by Edmond de Rothschild Asset Management (France) on the foreseeable performance of said securities and, where applicable, on the foreseeable performance of the price of the financial instruments they issue. This information cannot be interpreted as a recommendation to buy or sell these securities.

The commitments made within NATO to raise defence spending to 5% of GDP now take on a concrete dimension, underpinning already record order books for defence contractors.

**For Europe, this episode acts as a brutal wake-up call. Trade, long seen as a stabilising force, is becoming a political weapon.** And defence, until recently marginal in portfolios, is emerging as a barometer of sovereignty. Beyond Greenland, the broader question is clear: what price must be paid for a strategic dependence that has suddenly become tangible?

And as we already noted during the events in Venezuela, the repercussions of this weekend's developments are not yet known; they merely bear the hallmark of the ongoing movement of the tectonic plates of geopolitics and politics. They highlight the contrast between the prevailing instability (which is, for now, more institutional than economic) and the extreme concentration of the market, the persistent strength of the momentum factor and certain excessive valuations. This contrast tends to reinforce our view that medium- to long-term investors must more than ever diversify both their allocation and their themes, especially those that are still in vogue. It also strengthens our conviction in the relevance of the two strategies we launched in recent months, **Global Resilience** and **Mission Europa**. The former aims to focus on resilient companies in an unstable world; the latter on companies that will benefit from Europe's response to this environment.

President Donald Trump's reminder this weekend of US interest in Greenland is an anecdote that may not be one at all, and that in Europe can only be seen as a wake-up call underscoring the urgency of better structuring itself.

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*19/01/2026*

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Société anonyme governed by an executive board and a supervisory board with capital of 11.033.769 euros

AMF Registration number GP 04000015

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