commentaries
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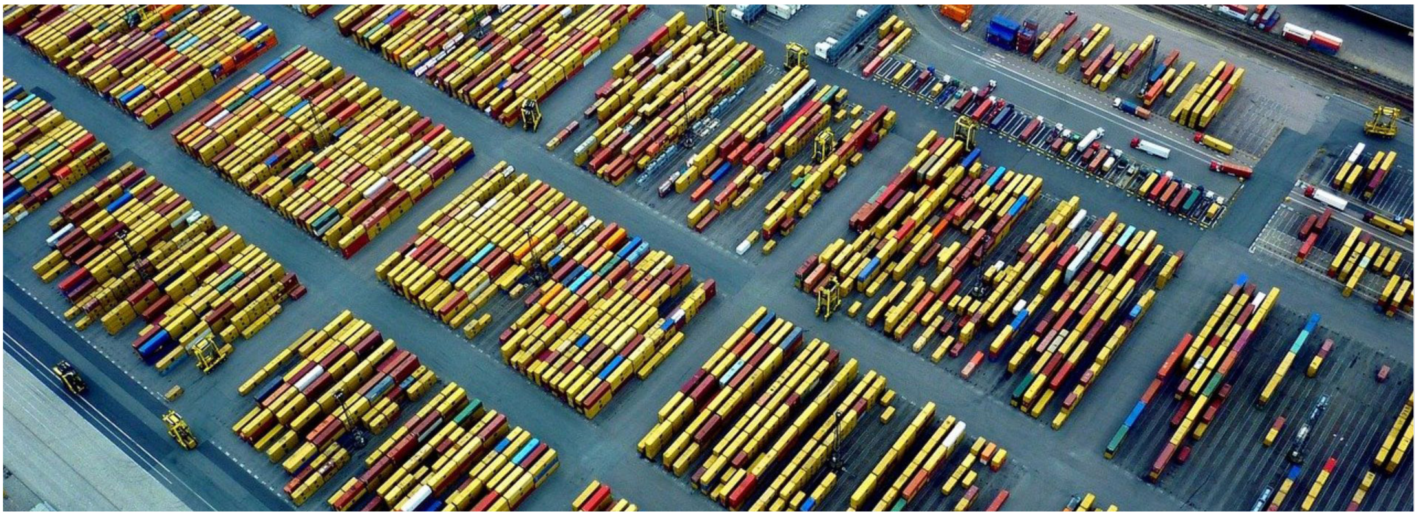
Europe in an Age of America First Economics



by Houston Wilson

- The economic nationalism of the Republican Party in the United States threatens European exporters through tariffs, domestic subsidies and policies favouring domestic production.
- Shared concerns over China and supply-chain security have not prevented Washington and Brussels from pursuing competing industrial strategies.
- Europe must defend its industries and strengthen its economic resilience without allowing transatlantic competition to escalate into a wider trade conflict.

The shift towards economic nationalism of the US Republican Party has created new challenges for the EU. President Donald Trump's "**America First**" approach has placed greater emphasis on tariffs, domestic manufacturing, secure supply chains and the protection of strategic industries. These policies are intended to strengthen the US economy and reduce dependence on foreign producers but can disadvantage European companies and increase tensions within the transatlantic relationship. This is important because the United States and the EU remain deeply connected through trade, investment and shared production networks. While Washington and Brussels agree on the importance of protecting strategic industries and reducing reliance on China, Republican economic nationalism conflicts with European interests when it relies on tariffs, domestic

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production incentives and unilateral economic pressure. The EU must therefore balance its continued economic relationship with the United States against the need to defend its own domestic industries and protect the integrity of its single market.

The EU is particularly exposed to US economic nationalism

From free trade to America First

The modern Republican Party's economic position differs significantly from the general approach inaugurated and in fact championed by President Ronald Reagan, who redefined conservative economics toward free trade and global capital flow in the 1980s. Reagan-era Republicans broadly supported freer trade, lower barriers and a more open international economy, while occasionally using targeted trade restrictions. Over the past decade, however, concerns about manufacturing decline, competition with China and vulnerable foreign supply chains have led many Republicans to support a heavier and more extensive use of tariffs, subsidies and other forms of government intervention. President Trump combined these ideas under the phrase "America First", which in theory prioritises the interests of domestic workers, American industries and national sovereignty over the goals of global economic integration. Political scientist **David Rowe** describes Trump's broader foreign affairs policy as one that "rejects any constraint on the exercise of American power in the pursuit of American interests". This emphasis on national control helps explain the party's growing scepticism towards trade agreements that limit the United States' ability to set its own economic policy.

Tariffs and European exports

As one of the world's largest exporters, the EU is particularly exposed to US economic nationalism. The most immediate effect has been Washington's increased use of tariffs. From Washington's perspective, these measures are intended to rebuild domestic manufacturing, reduce strategic dependence and address trade relationships it regards as unbalanced. For European exporters, these measures raise the cost of selling goods in the American market and reduce their competitiveness. Since 2025, most EU goods entering the United States have faced a general tariff of 15 per cent, while higher **sector-specific tariffs** have applied to strategically important industries. Steel, aluminium and most copper products have faced tariffs of up to 50 per cent, while many derivative metal products have been subject to a 25 per cent rate. The effects on transatlantic trade are already visible. After European companies increased shipments ahead of the expected tariffs in early 2025, EU exports to the United States declined sharply. By the **first quarter of 2026**, they were 30 per cent lower than a year earlier, while the EU's trade surplus with the United States had fallen from 80 billion euros to 34 billion with respect to the same period of previous year. Although the EU had prepared retaliatory measures, it set them aside following a July 2025 agreement between President Trump and European Commission President Ursula von der Leyen. This reflected a broader effort to avoid further trade tensions and preserve cooperation with the United States in areas such as security and defence.

US subsidies and "Buy American" policies

Tariffs are not the only way that US economic nationalism affects the EU. Domestic subsidies and "Buy American" policies can also place European companies at a disadvantage by tying government support to production inside the United States. These policies are designed to create American jobs, strengthen strategic industries and encourage companies to move manufacturing back to the United States. For Europe, generous American incentives can redirect investment away from EU member states., The EU went briefly through the experience during the Biden Administration, which enacted massive tax credits and subsidies in the clean tech sector in the framework of the 2022 Inflation Reduction Act (IRA). While the Trump Administration has largely done away with the IRA because of its ideological opposition to the development of the green tech sector, it has retained the Buy American-based approach towards other sectors such as semiconductors and advanced manufacturing.

European companies may respond by expanding production in the United States in order to qualify for American support, reducing investment and employment within Europe. This also places pressure on the **EU's state-aid rules**, as European governments demand greater freedom to subsidise their own industries. While both sides increasingly accept the need for industrial policy, their approaches can create a transatlantic subsidy competition rather than coordinated economic cooperation. In addition, American reshoring policies may pull investment and production away from Europe rather than strengthening transatlantic supply chains.

Supply chains, China and European strategic autonomy

Despite tensions over tariffs and industrial subsidies, the United States shares some important goals with the EU. Both have become increasingly concerned about their dependence on China and other foreign suppliers for semiconductors, critical minerals, energy and other strategically important goods. Efforts to diversify supply chains and expand domestic production can therefore support greater economic security on both sides of the Atlantic. However, the United States and the EU do not always agree on how this should be achieved. President Trump tends to handle the China dossier separately and unilaterally according to his transactional view of international relations, while Republican policymakers favour a more confrontational approach towards China. In either case, both expect European allies to fall in line with the United States. European governments, which have different levels of economic dependence on China, prefer a more coordinated and gradual strategy. Economic nationalism and European strategic autonomy are therefore partly compatible in their concern for security, but they can become competitors when each side prioritises its own industries.

American tariffs, domestic production incentives and unilateral trade measures can encourage investment to move away from the EU

Managing transatlantic economic competition

Republican economic nationalism is only partly compatible with the economic interests of the EU. The United States and the EU increasingly agree on the need to secure supply chains, protect strategic industries and reduce dependence on geopolitical competitors such as China. That agreement has clear limits. American tariffs, domestic production incentives and unilateral trade measures can weaken European competitiveness and encourage investment to move away from the EU. These policies also challenge the open and rules based economic relationship that has traditionally supported transatlantic trade. In response, the EU is trying to strengthen its own industrial policy, diversify its supply chains and defend the single market more assertively. The future of the transatlantic relationship will therefore depend on whether Washington and Brussels can coordinate their economic security goals without allowing national protectionism to develop into a broader trade conflict.

Istituto Affari Internazionali

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