

MAGA Delusions of Economic Leverage

Europe can easily stand up to Trump's bullying



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We'll keep doing this until you give us Greenland

I hope that Trump's threat to impose escalating tariffs on European countries
don't hand over Greenland will finally bury "TACO Trump" wishful thinking.
TACO Trump was always based on a belief that, on some level, Trump is rational,
when the disastrous consequences of his actions hit, he backs down.

But it's now undeniable that Trump is completely irrational. No, his obsession for Greenland isn't about national security. Under the NATO alliance, the U.S. had liberty to do what it wanted strategically. And as with Venezuela, any mineral deposits that Greenland possesses may be too expensive to extract to be invaded.

Trump himself has told us what's going on: he's throwing a temper tantrum at receiving a Nobel Peace Prize — not how he put it, but that was the gist of it. Norway's prime minister told him that Trump was being a complete idiot. Bessent says that quoting Trump's own words is a "complete canard."

True, beating the drum about Greenland serves multiple other purposes: deflecting attention from Renee Good's murder, the Epstein files, and his sagging poll numbers. It's also humiliating the Europeans, who he hates for their decency and strong democracy, and getting another testosterone rush from flexing American military muscle. It's mostly just a tantrum.

However, we can say something about the likely effects of his attempt to control Europe with tariffs — namely, that it won't work. Only in Trump's fantasies does the U.S. possess huge economic leverage over Europe. To the extent that the U.S. has leverage over them, it's matched by the leverage they have over us.

Allow me to explain. The starting point for any discussion of Trump's tariffs should be the observation that tariffs are a tax on U.S. consumers and business, not on foreigners.

That's what economists believed before Trump started his tariff spree; the results of his tariffs show that they were right. Foreign producers have not, contrary to the predictions of the protectionists, absorbed the tariffs by significantly cutting the prices they were charging to U.S. customers.

This is clear when one looks at data on average import prices. For example, the average tariff on goods imported from China went from 11 percent to 37 percent, but the average price the U.S. was paying for those goods fell only slightly, less than 10 percent.

percent.

And a [new study](#) from the Kiel Institute for World Economics offers a more estimate based on detailed trade data: in 2025, foreigners absorbed only 4 percent of the cost of Trump's tariffs. This means that Americans are paying 96 percent of the cost of the tariffs.

So Trump's imposition of tariffs on European nations that have sent troops to Greenland is basically a declaration that he will punish American consumers and businesses until Europe gives him what he wants.

But won't Europe be hurt by loss of U.S. export markets? Maybe, but not by much. The European economy is huge — almost as big, in dollar terms, as the U.S. economy — and doesn't depend crucially on the U.S. market. It's worth noting that very high tariffs on China haven't appeared to slow China's [economic growth](#) at all.

Furthermore, if America and Europe get into a trade war, U.S. companies will be hit just as hard as European companies. That's because America sells almost as much to Europe as Europe sells to America:

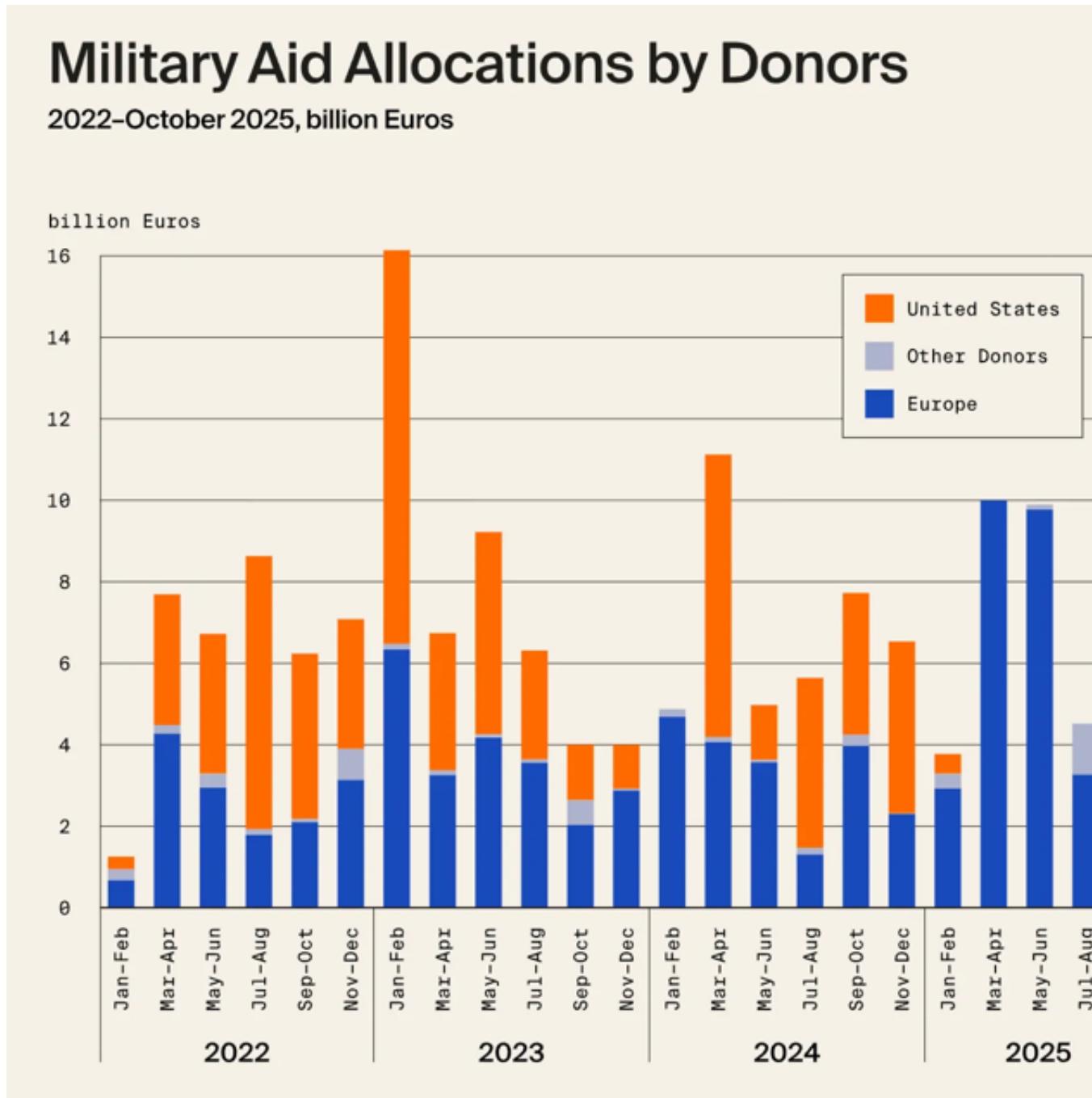


Source: Bureau of Economic Analysis

More precisely, U.S. producers sell about 8 dollars' worth of goods and services to Europe for every 9 dollars' worth of European sales to America. And even the asymmetry is largely a statistical illusion caused by [leprechaun economics](#): subsidiaries of U.S. companies, especially pharmaceutical producers, charge parent companies inflated prices so as to shift reported profits to Ireland, where corporate tax rate.

Now, you may be tempted to dismiss concerns about European retaliation, given that European leaders are weak and timid. That's surely what Trump thinks has been true in the past. But is it still true? The reason Trump is imposing tariffs on European countries is that they dared to send troops to Greenland to forestall a possible U.S. invasion — a pretty gutsy move.

Or look at the way Europe has completely replaced the United States in supporting Ukraine:



Source: [Ukraine Support Tracker](#)

Beyond the fact that Europe is toughening up militarily, it has the capacity to tough, acting in unity, in international trade. Individual European countries choose their own tariff rates: The European Commission sets tariffs for the whole.

Furthermore, the EU has a procedure — the [Anti-Coercion Instrument](#) — to allow the rapid imposition of serious sanctions against any nation that tries economic pressure “to pressure the European Union or an EU Member State making a particular choice.” This instrument, nicknamed the trade bazooka designed with China in mind, but it obviously applies to the United States if as Trump tries to use tariffs to force European nations to acquiesce in his Gland grab.

In fact, the legal basis for stiff European retaliation against the U.S. looks far stronger than the legal basis for Trump’s tariffs. But the Supreme Court keeps emboldening Trump by repeatedly delaying a ruling on the legality of his invocation of emergency powers to impose most of his tariffs. At this point the Court’s cover is unmistakable; the justices’ robes must be drenched in flop sweat.

It’s possible, of course, that Europe will fail to use the power it has. That’s wishful thinking, but Europe has often chickened out in the past. The predicament Europeans find themselves in now is the result of their previous lack of resolve; the next time around will only be worse.

So hopefully Europe has learned its lesson with Trump. Because if it has, Trump’s bullying won’t go the way he expects.

MUSICAL CODA

How about some European music?