



By: **Moreno Bertoldi** - **Marco Buti**

# The EU must activate its economic “bazooka” against the US



As European Commission President Ursula von der Leyen prepares to deliver her annual State of the Union address, she is under pressure from all sides.

The trade deal reached with the United States at the end of July, though unbalanced and asymmetric, has not brought back stability and predictability. Instead, US President Donald Trump has recently ratcheted up his trade **salvos** against Europe.

In social-media posts, he has threatened additional tariffs and export restrictions on US technology and semiconductors for countries with digital rules and taxes, and has indicated that he could impose new tariffs in response to the European Commission's \$3.5 billion fine against Google for unfairly favoring its own advertising technology services.

Trump's threats came just a few days after the US and the European Union reached a framework **agreement** for the handshake trade deal, which European policymakers had hoped would settle matters.

But nothing is ever final with Trump. His new attack on foreign oversight of US tech companies – such as the EU's landmark Digital Services Act and Digital Markets Act, as well as digital-services taxes in member states – has the **potential** to undermine Europe's sovereignty and its democratic foundations.

## Poker and Chess

Negotiating with Trump is a bit like playing poker, with escalating bids – and sometimes bluffing – over the course of negotiations.

But it is also like chess: each move counts toward the endgame and thus requires careful preparation.

When early opportunities are squandered, one can hardly expect to gain the upper hand against an unpredictable and more powerful adversary.

For example, the EU could have cornered the

US in April and May, after Trump announced his “Liberation Day” tariffs and sent investors into a tailspin.

## The EU's wait-and-see approach proved costly

But unlike China, which forced Trump to negotiate under market pressure, the EU **decided** to delay its retaliatory measures following Trump's announcement of a 90-day “pause” on his sweeping tariffs mere hours after they took effect.

The EU's wait-and-see **approach** proved costly. By summer, the situation had changed: markets had stabilized, and the US and China had reached a provisional trade deal.

This, coupled with the declining credibility of its retaliation threat, weakened the EU's negotiating position, creating a sense of inevitability about the outcome of the July meeting in Scotland between Trump and von der Leyen.

While both sides lost in terms of economic outcomes, Trump cared only that he “won” the negotiation and scored a huge victory for his tariff campaign.

As we **feared** at the time, an emboldened Trump is attempting to repeat this strategy.

## Economic coercion

The EU must decide whether to resist pressure to reform the bloc's tech regulations or fold again.

The latter option would mean abandoning any pretense of being a geoeconomic power (as former European Central Bank President and Italian Prime Minister Mario Draghi recently **pointed** out).

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But if the EU decides to stand up for itself, it will need a bold and well-thought-out negotiating strategy.

That means the European Commission must take immediate steps to activate the Anti-Coercion Instrument (ACI) – the bloc’s most potent trade tool, which enables it to retaliate against third countries that are using coercive economic measures by imposing tariffs and quotas, introducing export controls, suspending intellectual property rights, banning services, and excluding access to public procurement tenders.

There is in fact no doubt that the new tariffs threatened by Trump amount to “economic coercion.”

## The EU’s most powerful tool against economic pressure

While the EU’s decision-making paralysis is often rightly blamed on its unanimity rule, this does not apply to the ACI, which a qualified majority of member states can activate (although the deployment process is lengthy).

A qualified majority is also required to reject any retaliatory measures that the Commission proposes under this mechanism.



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Thus, the ACI has the features of a “federal” instrument – and an effective one at that. Its lengthy deployment is not necessarily a

disadvantage as it allows the Commission to stop the process if an agreement with the opponent is reached.

Crucially, activating the ACI at an early stage would indicate the EU’s willingness to deploy its “bazooka,” whereas previously the bloc gave the **impression** of wanting to avoid its use at all costs.

By being proactive with the ACI, and reviving the threat of **tariffs** on more than \$100 billion worth of US exports, the Commission would signal that the stakes are much higher this time around, and demonstrate its determination to confront the US.

One hopes that the prospect of a high-cost confrontation would convince Trump to back off his threat, or to propose real negotiations (rather than one-sided deals) to address digital-services issues.

Moves in this direction would allow both sides to avoid losing face and restore some stability and predictability to the EU-US relationship.

By keeping the ACI locked away, the EU risks letting its most powerful tool against economic pressure “rust into obsolescence.”

The EU must activate it now, both to shore up support at home and to show the Trump administration – and the world – that it has the political will to assume its rightful role in the new geopolitical landscape.

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