

# Coercive Extractivism

The mechanics of Trump's transactional approach to Europe

Clingendael Report

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# Executive Summary

US foreign policy towards Europe is increasingly transactional and there is growing European awareness that the continent is too dependent on the United States. This report introduces the concept of 'coercive extractivism' to describe the current US administration's transactional approach to Europe. In coercive extractivism, the United States leverages Europe's economic and security dependencies to extract economic, regulatory or geopolitical benefits and concessions. Resource-poor, regulation-heavy, politically divided and marked by years of underinvestment in its own military capabilities, Europe is particularly vulnerable to this dynamic. The US administration's recent threat to apply economic leverage in pursuit of its ambitions to annex Greenland was a clear example, but the same dynamic applies elsewhere. The US has leverage over Europe in a number of policy areas, and a wide range of demands of Europe, suggesting that coercive extractivism will continue, if not increase. The approach is shaped by several dynamics:

- US foreign policy is driven by presidential impulse instead of institutional process, making unpredictability a feature.
- Tariffs are a key policy tool to extract concessions.
- US policy towards Europe has become a set of repeat bargaining processes, where nothing is permanently settled.
- Policy domains and issues are connected, adding multiple layers of unpredictability.
- The US seeks the creation of a deals-based order, instead of a rules-based order, however other countries are unlikely to follow suit.
- Coercive extractivism generates countervailing forces. The more it is used, the more countries will seek to balance against it.
- A transactional US administration is to be preferred over an ideological one. But ideological disagreements are increasingly at the root of US policy towards Europe.

If Europe seeks to make itself immune to coercive extractivism, it must take a number of steps. Flattery may yield short-term results, but it is not a durable strategy. Instead, the European Commission and European governments must develop a common approach, articulate red lines, build coalitions of like-minded countries and execute strategies to reduce their lop-sided dependencies on the US. This includes diversifying trade relations, strengthening the European

defense industrial base, reducing energy dependence and identifying ways through which to deter US coercion. In the US, European governments should reach out more intensively to state-level administrations and members of Congress to clarify what is at stake as the eighty-year transatlantic partnership erodes under the pressure of US coercive extractivism. Whether Europe is successful remains unclear, and four options for the future of the transatlantic relationship are laid out. In the near-term, coercive extractivism is likely to intensify as Europe enters a period of increased vulnerability as it seeks to reduce its unwanted dependencies on Washington.

# Introduction

The episode with Greenland was telling. US foreign policy under the Trump administration has become increasingly transactional, raising serious doubts about the transatlantic relationship across Europe. On 17 January 2026, the US president threatened European NATO allies with ten percent tariff walls “until such time as a Deal is reached for the Complete and Total purchase of Greenland.” Earlier, eight NATO allies had sent a very limited number of military personnel to Greenland for a reconnaissance mission, in response to the US president’s claims that Greenland was undefended and should therefore become part of the United States. Since coming to office in early 2025, the president had repeatedly made his ambition to annex Greenland clear. It was not the first time the US administration used European dependence on US economic or security ties to twist arms. This Clingendael Report examines the mechanics of Trump’s transactional approach to Europe, where security, economic and regulatory interests are fused in the pursuit of an ‘America First’ agenda.

Based on a series of interviews conducted in Washington DC in late 2025, [two papers drafted by US experts](#) Max Bergmann and Peter Harrell, and an expert workshop in December 2025, eight key dynamics emerge that define contemporary US transactional policies. This, in turn, leads to a set of recommendations for how the EU and European countries, including the Netherlands, can respond. Europeans should expect President Trump’s transactional approach to continue as his administration aims to extract economic and political concessions from EU capitals. In the short-term, as European governments increasingly express concern about their dependence on the United States and seek to cushion themselves from US coercion, the extractive nature of US transactionalism could in fact intensify. Europe’s vulnerability will only diminish once steps to reduce lop-sided dependencies have materially delivered results. The report concludes with a set of options for how the relationship between Europe and the US could then evolve.

# What is Coercive Extractivism?

While the use of leverage in diplomatic negotiations is nothing new and diplomacy has always contained a transactional dimension, the current US administration's approach differs in important ways. The Trump administration's transactional foreign policy rests on three premises: firstly, the existence of multiple asymmetric dependencies between the United States and other countries, and secondly, a willingness to exploit and link those dependencies across different policy domains in pursuit of a narrow set of 'America First' aims. The third premise is that allies are not immune to this, instead the alliance relationship is a conduit for Washington's transactionalism. This administration openly discusses its 'quid pro quo' view of the transatlantic relationship as part of making America great again. Transactionalism is a tactic within a broader foreign policy agenda aimed at maximising gains for the United States to reinforce its dominance and pre-eminence. In many respects, it is reminiscent of the mercantilist approaches pursued by European countries in the 19<sup>th</sup> century, except now Europe is the target itself.

For the US administration, transactionalism serves specific ends. Its purpose is the extraction of concessions, whether in the form of economic rents, access to resources, (military) assets or infrastructure, or changes in regulatory frameworks, through coercive means if necessary. The US transactional approach to Europe serves a policy which we describe here as 'coercive extractivism'. Coercive extractivism treats international affairs as a continuous cycle of bargaining opportunities in which different elements of US power are deployed to "win". The key principle underpinning coercive extractivism is that security alliances, due to inherent power imbalances between the security provider (the US) and the security consumers (European countries), generate dependencies which can be exploited and leveraged. Security relationships thus become iterative bargaining processes where tributes are extracted. Resource-poor, regulation-heavy, politically divided and marked by years of underinvestment in its own military capabilities, Europe is particularly vulnerable to this dynamic.

'Might makes right' is now being applied to alliance dynamics. The US president justified his claim to Greenland implying that European countries should grant him this territorial annexation because the US had defended Europe for decades.

He stated in Davos at the WEF Annual Meeting in January 2026, “if it wasn’t for the US, they would be speaking German or Japanese”. A week earlier he had made clear to journalists that “[Greenland] affects Nato... But you know, they need us much more than we need them.”

Beyond the crisis surrounding Greenland, one of the clearest examples of coercive extractivism in 2025 emerged during the EU-US trade talks. European Commissioner for Trade, Maros Sefcovic, made clear that the trade agreement whereby the EU accepted a US-imposed 15-percent tariff rate, was not just about trade: “[It’s about security; it’s about Ukraine and it’s about current geopolitical volatility](#)”. The European Commission’s Director-General for Trade, Sabine Weyand, later acknowledged that by striking the agreement the EU sought to “hold the U.S. close to us in security terms and to preserve their [Washington’s] commitment to Ukraine”. The concern was that if a trade agreement did not materialize “[the U.S. would abandon the security partnership with the EU](#)”.

Similar issue linkage has also featured in the digital domain. Prior to the 2024 elections, Vice President, then senator, JD Vance suggested that the [US might reconsider its support for NATO](#) if the EU regulated US big tech. A few months later, Vance underlined this point at the Munich Security Conference when he said that the EU was curbing free speech through stringent digital regulations. Since then, Washington has repeatedly demanded regulatory concessions from Brussels, linking them to both [tariff relief](#) or [tariff increases](#). Washington has even sanctioned a former European commissioner responsible for EU technology policy in its effort to get Brussels to move.

The objectives of US coercive extractivism include better market access or beneficial regulations, but it can also involve resource deals. In 2025, the US president negotiated access to Ukraine’s critical metal deposits as part of a bargain to sustain US support. Washington pursued comparable extractive deals with other resource-rich countries. The Democratic Republic of Congo, for instance, offered [preferential US access to the country’s vast cobalt reserves](#) as part of a US-brokered peace deal with Rwanda. Similarly in Venezuela, after the violent capture of Nicolas Maduro by US special forces in January 2026, Trump declared that the country’s oil sector “will be controlled by me, as President”. Greenland’s mineral wealth similarly places it within this extractive logic, as negotiations about any potential mineral rights and security arrangements between the US, Greenland and Denmark continue.

At the strategic level, US military support has become a source of leverage over Kyiv but also over its European NATO allies. US officials have indicated a forthcoming change to the country's security role in Europe. In Brussels in early 2025, Secretary Pete Hegseth stated that the [United States no longer sees itself as Europe's primary security guarantor](#). The 2026 National Defense Strategy asserted that "the war in Ukraine ... is Europe's responsibility first and foremost." The US has signalled it wants [burden-shifting](#) within the NATO Alliance to be completed by 2027, transferring responsibility for conventional defence to European states. Inevitable European difficulties to meet this timeline increase the risk that continued US security support will be made conditional on further concessions.

In short, dependency relationships form the basis of transactionalism. Economic interdependence enables coercion through trade policy, and security alliances become modes of extracting benefits. From this perspective, alliances do not shield against coercive extractivist practices, rather they facilitate them.

At a global level, the administration's [withdrawal from 66 United Nations agencies and multilateral bodies](#) heralds a more transactional, deals-based approach to diplomacy focused on bilateral, instead of multilateral, cooperation. While remaining engaged in institutions perceived to serve a narrow US interest (such as the OPCW) the Trump administration has largely abandoned multilateralism and a rules-based system as an end in its own right.<sup>1</sup> The creation of the "Board of Peace" with membership conditioned on a financial contribution and executive authority vested in the US president, further reinforces this shift towards transactionalism.

'If you want America's help, you have to pay for it', seems to be the adage in Washington. Whether it is Venezuela's oil resources or privileged access to Europe's digital services markets, the same principle applies. The [Financial Times](#) summarised contemporary US transactionalism as "asking not what Washington can do for a foreign country, but what foreign countries can do for Washington". Below are key characteristics of US transactionalism.

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1 See also this recent speech on the role of international law by USTR Ambassador Jamieson Greer, "Don't let International Law get in the way of Peace and Prosperity", 24 February 2026, <https://ustr.gov/about/policy-offices/press-office/speeches-and-remarks/2026/january/dont-let-international-law-get-way-peace-and-prosperity>.

## Capricious and personalised decision-making



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*Foreign policy is driven by presidential impulse rather than institutional process*

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The mechanics of contemporary US transactionalism differ markedly from previous administrations. Decision-making is highly centralised in the Oval Office, and it is often unclear whether a structured bureaucratic process or overarching strategy guides key decisions. A common caricature in Washington circles is that Trump decides based on the last person he speaks to. Even his son, Donald Trump Jr, remarked at the Doha Forum in December 2025 that his father is famously unpredictable.

Furthermore, the culling of the civil service by Elon Musk's DOGE (Department of Government Efficiency) and budget cuts to departments dealing with diplomacy creates an oversized role for the White House and the President's close confidantes in foreign policy.<sup>2</sup> Traditional channels of diplomacy, and traditional policymaking are no longer as important, or no longer exist. Anna Kelly, the deputy White House press secretary, told the Financial Times: "The [US] president has an untraditional background, and a lot of his team have untraditional backgrounds. Jared [Kushner] and Steve [Witkoff] are business deal guys. But they are trusted." 'Business deal guys' have not been the mainstay of transatlantic diplomacy and policymaking has become more opaque as a result. The experts interviewed for this piece, even those politically aligned with the current administration, acknowledge that they have limited reading on what the president's policy priorities at any moment are.

This institutional configuration reinforces the capricious character of current US foreign policy and contributes to uncertainty about Washington's strategic direction. For example, policy towards China may veer from being soft one day, to escalating a tit-for-tat tariff war the next. Support for Ukraine may be guaranteed one day but critical intelligence-sharing may be suspended the next. The foreign policy focus may veer from Venezuela to Iran, from China

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<sup>2</sup> See Abigail Hauslohner and Alec Russell, "The Trump back channel: how diplomacy works in Washington", *Financial Times*, 16 December 2025, <https://www.ft.com/content/05bdc758-7d2e-46bc-bba8-f5858e9b3ad7>.

to Greenland at any given day. Tariffs may be announced against European countries at one moment and suspended at another. Even territorial claims, such as those concerning Greenland, can be asserted and then abruptly set aside. US trade and foreign policy are therefore unpredictable not only for adversaries but also for allies; for foreign diplomats but also for Washington insiders.

## Tariffs are key



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*The most attractive way is to leverage US market power at the discretion of the executive*

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Economic leverage is central to US coercive extractivism. President Trump has said that “tariff is the most beautiful word in the English language” and he has embraced levies to address a variety of issues that have little to do with economic terms of trade: whether to prevent fentanyl smuggling or irregular migration across US continental borders; express criticism over the legal case against Brazil’s former president Jair Bolsonaro; address concerns about de-dollarisation by the BRICS countries; push for increased allied defence spending; weaken European green regulations, or pursue the annexation of Greenland. The US administration has raised tariff barriers, or threatened to do so, to change other countries’ behaviour. As Peter Harrell writes [in his piece in this series](#), this approach is similar to how other presidents have wielded sanctions. The crucial distinction is that tariffs are now deployed against treaty allies as a coercive tool.

The on-again, off-again threat of tariffs embodies the characteristics of a never-ending cycle of bargaining aimed at extracting concessions. Tariffs are particularly useful to an extractivist administration since they can be wielded as a tool of executive power. With few exceptions, such as the Section 232 and Section 301 measures enacted during President Trump’s first term, the tariffs have not required substantial Congressional oversight. It means they have been threatened or imposed by executive order and announced via public statements or social media posts. Since the purpose of the tariff threat is not necessarily economic, the threat itself may already induce behavioural change. Moreover, after announcing the tariffs, the President can use his discretionary powers to negotiate exemptions, creating multiple rounds of bargaining, carve-outs, and ad-hoc deals. Compared to the lengthy legal procedures associated with imposing sanctions, tariffs offer a faster and more flexible coercive tool.

The upside is, however, because the administration prefers to use threats and executive orders instead of congressional routes to impose tariffs, the trade measures can also be withdrawn just as abruptly as they are imposed.

The current US administration, based on the (contested) principle of a unitary executive, sees a limited role for Congress in shaping economic foreign policy. This may, however, become more difficult in light of recent rulings by the Supreme Court and the upcoming midterm elections. Notwithstanding these developments, tariffs should be seen to remain central to the US administration's extractivist arsenal.

### Everything is on the table, all the time



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*No agreement is final and all policy domains remain negotiable*

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US transactionalism is continuous. After all, the bargaining never ends and there is little stability or predictability in the relationship. Each deal only holds as long as the Oval Office says it holds. A clear example is the administration's attempt to weaken European digital regulations. During the July 2025 trade negotiations in Turnberry, the European Commission claimed that it had agreed with the US to keep the issue off the table. Yet less than a month after the US-EU statement on transatlantic trade and investment was presented as a way to stabilise EU-US trade, US officials threatened sanctions on EU and member state officials tasked with implementing the [EU's Digital Services Act](#). Again two months later, the issue resurfaced when Washington linked [concessions on EU digital regulations to tariff relief](#) for steel and aluminium imports.

Fundamentally, an "everything-is-on-the-table-all-the-time" approach implies that the transatlantic relationship no longer is held together by a clear set of core and inviolable conditions. Rather it is only one failed transaction away from a crisis, as the experience surrounding Greenland has made clear. As Max Bergmann observes [in his paper](#):

“a transactional foreign policy is prone to constant changes and evolutions... A transactional foreign policy is also prone to corruption and side deals, meaning it's never clear if the administration can be relied upon. Should an ally or partner make a concession, it is not clear that the

administration, which is prone to short-term thinking, will follow through on what it committed or won't return asking for more."

In security terms, this approach undermines the effectiveness and credibility of NATO deterrence. In economic terms, it injects uncertainty into a transatlantic relationship encompassing \$1.68 trillion (2024 figures) in annual trade in goods and services.

## Linkage equals tensions



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*Issue linkage generates tensions and uncertainty within and across policy domains*

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When US officials [link NATO commitments to regulatory concessions](#), or condition continued alliance support on higher European defence spending, they create uncertainties in both policy areas. For if Europe meets its spending commitments, does this secure US support for NATO for the remainder of the administration, or will there be more demands? Conversely, if Washington weakens its commitment to NATO as part a broader strategic reassessment, does this imply its acceptance of existing EU digital regulations, or will these rules again become subject to pressure? Such linkages blur the boundaries between policy domains and undermine the predictability of commitments.

Linkage also leads to internal policy contradictions. On the one hand, Washington seeks higher European defence spending and therefore has an interest in a strong European economy capable of delivering on its military ambitions. On the other hand, the administration's national security strategy frames the EU largely in negative terms and the government has appointed a [senior policy official](#) that supports anti-EU movements across Europe. Yet the EU and its single market form the core of European economic strength, as made clear by the 'Draghi' and 'Letta' reports. Undermining the EU would therefore indirectly weaken Europe's capacity to meet its defence commitments. A similar contradiction arises in defence industrial policy: while President Trump urges European governments to purchase US military equipment for Ukraine, his administration simultaneously supports movements across Europe that have opposed higher defence spending, such as AfD in Germany and Hungary's Viktor Orban. Transactionalism does not solve these inconsistencies, instead it magnifies them.

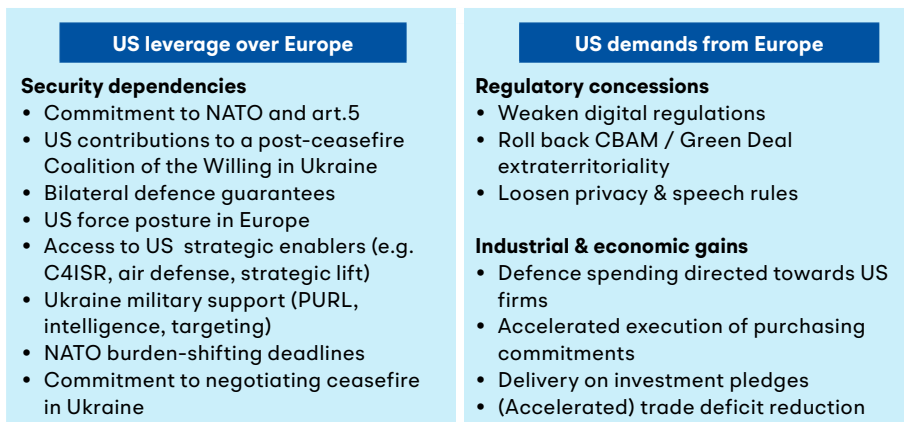
## Transactionalism is the foreign policy



*Bargaining becomes the default condition of the transatlantic relationship rather than the exception*

There are multiple domains where Europe is likely to face intensified transactionalism, aimed at extracting concessions. On the one hand there are pressure points within Europe (vulnerabilities and dependencies that the US can exploit), and on the other hand there are extractive demands (policy changes the US desires). The first group ranges from US strategic security commitments and operational military support to access to the US market, technologies or services. The second group contains demands which may range from greater access to European markets and beneficial regulations, to defence spending pledges and alignment with US foreign policy. European countries should prepare to face different combinations of US leverage and US demands.

Figure 1 US coercive extractivism as expressed through Leverage and Demands



US leverage over Europe	US demands from Europe
<p><b>Economic &amp; energy dependencies</b></p> <ul style="list-style-type: none"> <li>• Tariff exposure</li> <li>• Access to US market</li> <li>• Access to US technology stack (e.g. cloud, AI, software platforms)</li> <li>• LNG export licenses</li> </ul>	<p><b>Geopolitical alignment</b></p> <ul style="list-style-type: none"> <li>• Alignment on China export controls</li> <li>• Support for US dominance in Western Hemisphere</li> <li>• Support for ICC sanctions</li> <li>• Support for “Board of Peace”</li> <li>• Support for military operation to secure Strait of Hormuz</li> <li>• Political support for US domestic narratives</li> <li>• Crackdown on pro-Palestinian activism</li> <li>• Support for Israel and/or Jewish communities</li> <li>• Pressure to cede territory (i.e. Greenland)</li> </ul>

### A deals-based order emerges (but is self-defeating)



*Bilateral bargains replace shared rules, but over time isolate the United States from multilateral dynamics*

So far, global trading partners have largely absorbed US tariffs instead of retaliating with tariffs of their own. Most governments have accepted Trump’s tariff hikes, despite domestic judicial problems in the US, and have sought to negotiate exemptions and strike bilateral deals. These agreements often include substantial purchasing commitments in the US and investment pledges. The EU, South Korea and Japan have each agreed to hundreds of billions of dollars’ worth of purchases and direct investments in the US as part of their bilateral deals with Washington. According to US Trade Representative Jamieson Greer, the US is now pursuing a new trade consensus, [the ‘Turnberry Model’](#). Its ambition is to position the United States as the central arbiter in the international trade system by virtue of its role as the world’s largest market and to use tariffs as a sanctioning mechanism to condition the global market.

As [Peter Harrell notes](#): “President Trump is pursuing a trading order defined by a set of contracts to regulate bilateral trade relationships”. In this deals-based model, a shared international framework of binding rules is supplanted by case-by-case bargaining and US unilateral tariff decisions. The United States casts

itself as a trade “Leviathan”, adjudicating disputes through tariffs and correcting perceived imbalances through coercive extractivism.

This shift in US policy is of course problematic due to its violation of existing WTO agreements and the Most Favoured Nation-principle, but it has not yet triggered a collapse of the multilateral trading system. Instead, erstwhile critics of the WTO now increasingly recognise the benefits of existing trade rules when contrasted with an emerging deals-based order over which they have little say. Roughly 70 per cent of global trade continues to take place under WTO rules, and no other countries have followed Trump’s lead and pursued similarly egregious violations of WTO law, with the possible exception of China. Instead, Trump’s policies have sparked discussions about reform of the global trade system and new coalitions are emerging that aim to preserve existing benefits of multilateral trade, though without US participation. There is now a growing trend towards plurilateral arrangements that replicate key WTO rules while excluding the United States. One example is the emerging [alignment between the EU and the CPTPP countries](#) (the Comprehensive and Progressive Trans-Pacific Partnership, a trade agreement bringing together 11 nations in Asia and the Americas, and the UK), which could lead to the creation of a WTO-like framework excluding both the US and China.

Although many within the US administration view transactionalism as a successful strategy, its longer-term effect may well be to marginalise the United States from global trade rulemaking. The outcome of today’s transactionalism would then be a bifurcated system with one playbook for trade with the US (and potentially China), and another for those that still want to share common rules. This has not gone unnoticed in Washington, and the US appears to be hedging; it has not given up on the WTO entirely, while still negotiating a path towards more deals-based trade.

## Coercive extractivism has its limits



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*Coercion incentivises allies to reduce dependencies and develop alternatives*

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As any seasoned diplomat will confirm, international diplomacy is a set of repeat interactions in which governments negotiate with one another over time. A highly transactional and ‘zero-sum’ extractive foreign policy encounters structural limits in the long run and ultimately becomes self-defeating. The more the United States uses a coercive extractivist approach to its allies, the more they will seek to hedge against it, shield themselves from further coercion by going it alone, or develop deterrent capabilities to stave off further extractivism. If European countries and other allies can no longer rely on the US commitment to NATO’s article 5 unless it is accompanied by economic, regulatory, financial or even territorial concessions, they will start to develop alternatives. Balancing behaviour by allies, both in economic and security terms, will then emerge. During his speech at the WEF Annual Meeting in Davos in January 2026, Canadian prime minister Mark Carney made this point, calling for greater alignment among middle powers to deter further coercive extractivism. He said:

“Hegemons cannot continually monetize their relationships. Allies will diversify to hedge against uncertainty. They’ll buy insurance, increase options in order to rebuild sovereignty – sovereignty that was once grounded in rules, but will increasingly be anchored in the ability to withstand pressure.”

As Bergmann points out [in his paper](#), there is an inherent tension between coercive extractivism and Washington’s push for burden-shifting within NATO: “Why pay for a service [security guarantees] when it’s not clear that service will be provided?” The more transactional the US becomes, the more allies will take steps to shield themselves from it, contributing to an overall weakening of the position of the United States, but also possibly a weakening of NATO, and the West. Though this will not happen overnight, and Europe remains vulnerable to coercive extractivism for the time being, the trajectory is unmistakable. The outcome is a weakened West in a more multipolar context.

## An extractivist US presidency is to be preferred over an ideological one



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*Deal-making reduces the risk of escalation more than a values-based confrontation aimed at reshaping Europe*

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Currently, the US president appears primarily interested in deal-making. Although this approach has coercive characteristics and has a corrosive effect on the transatlantic partnership, his transactionalism primarily aims to increase America's economic power and its geopolitical potential, while supporting his image as a strong leader. In this sense, Trump's deal-making over the past year may have prevented a more permanent rupture in the transatlantic relationship that other – more ideologically driven – officials within the administration may have favoured.

There are, however, worrying signs that US transactionalism will increasingly serve to deliver on an explicitly ideological agenda directed against the EU. The US national security strategy from December 2025 expresses the intent to weaken the EU in order to counter what Washington perceives as Europe's "civilizational erasure" as a result of "activities of the European Union that undermine political liberty and sovereignty." The security strategy aims to "help Europe correct its current trajectory" by supporting "genuine democracy" and the development of strong individual European nations. The [strategy document](#) signals a growing ideological divide with liberal European governments, highlighting US opposition to European climate change and 'Net Zero' policies; European restrictions on free speech, and the EU's "failed focus on regulatory suffocation". But it is not just criticism, the US also makes clear its intent to cultivate "resistance to Europe's current trajectory" within European nations. Strategically, of course, a disunited and divided European continent and a weak EU is a much easier prey for US coercive extractivism.

If US transactionalism is increasingly put in the service of an ideological confrontation, the risk is no longer that the US-European relationship will gradually erode due to the extraction of individual concessions, but that there will be an outright rupture. A transatlantic clash over ideology, reinforced by introducing conditionalities to US security commitments, could prove relationship-ending.

# How Europe can deal with US transactionalism

EU member states and the European Commission have had a crash-course in US transactionalism over the past year. European governments are increasingly aware that their substantial security and economic dependencies on the United States can become liabilities. Recently, however, the dominant response has been accommodation and appeasement; in the form of rhetoric, symbolism and gestures. Royal invitations and the NATO Secretary General's personal flattery have become emblematic of this approach. While kow-towing to Washington may yield short-term results, it does not constitute a durable, long-term strategy.

There have also been instances when Europe has successfully resisted US attempts to extract concessions. For instance, in the summer of 2025 European leaders convinced the US to continue support for Ukraine; the EU – so far – has been able to protect its right to regulate digital services, and Europeans were able to stave off Trump's threat to annex Greenland. Though the causality of these 'successes' is contested, they help to identify a set of no-regret options Europe should pursue to deal with this new reality. As a precondition, it requires a collective European approach.

- **Play team sports.** When European leaders appeared together with Ukraine's President Zelenskyy in the Oval Office to argue collectively for continued support for Ukraine, the US administration took notice. Similarly, European solidarity with Denmark, coupled with preparations for credible economic countermeasures, contributed to the US retreating from its ambition to annex Greenland. Unity increases Europe's resilience; division invites more coercion. Unity of purpose, solidarity and message discipline among European leaders are therefore essential prerequisites.
- **Set red lines.** A transactional United States is a less forgiving partner. Conditionality now extends to policy areas that were previously insulated from bargaining. Unless Europe responds by setting clear limits on what it deems acceptable, it will invite further rounds of coercive extractivism. Red lines must be articulated and defended, though a balance will need to be struck which red lines are communicated behind closed doors and which require more public announcements. The issue of Greenland's territorial annexation unified Europeans in opposition to US plans, but it is less clear

whether an intensified US challenge to European digital or climate rules will generate similar unity. The European Commission and European Council should therefore initiate an exploration of European red lines drawing on the list of US demands identified in figure 1.

- **Make scenarios.** European institutions and governments should systematically model and “wargame” US transactionalism to anticipate future rounds of pressure and prepare coordinated responses.
- **Set priorities.** European governments and the European Commission should identify which forms of US support are truly indispensable, for example in terms of specific military capabilities or critical technologies, and where European solutions or alternatives may be available. While US technologies – for instance in the field of Artificial Intelligence or certain military capabilities – may be superior in terms of performance and price point, European governments should assess where they can settle for second-tier options, which may be more expensive but yield benefits in terms of greater autonomy.
- **Buy time.** Where possible, technical issues should remain technical, and political escalation should be avoided. Given the volatility of US decision-making, contentious issues may lose their salience in Washington over time, as attention is redirected elsewhere. Flattery may have a role to play here, though there is a difference between flattery and appeasement.
- **Decomartmentalise policymaking about the United States.** Whole-of-government coordination across trade, security, technology and regulatory policy domains is needed to successfully respond to a transactionalist counterpart bent on linking various domains.
- **Diversify, Deter, or Go it alone?** At a strategic level, there are three options to consider as Europe aims to immunise itself against US leverage: hedge against unwanted dependencies through diversification; go it alone by developing strategic autonomy, and deter coercion by identifying pressure points in the US. It will depend on individual policy domains, and European exposure to the US, which of these strategies are most applicable.
- **Invest in trade diversification and reduce economic dependencies.** By diversifying export markets and concluding trade agreements with third countries – think of the EU-Mercosur, EU-India trade agreements and EU-CPTPP alignment – the EU can reduce its exposure to US economic leverage. The EU and its member states should also accelerate their work to deepen the EU single market, by developing a capital markets union, removing intra-EU non-tariff barriers and technical barriers to trade, and implementing relevant ideas of the ‘Letta’ and ‘Draghi’ reports to boost European

competitiveness. These steps will increase resilience to US economic coercion.

- **Boost European defence autonomy.** In terms of generating greater autonomy, European industrial policy should focus on increasing defense innovation and scaling up production, based on a clear assessment to reduce dependence on US enablers and critical technologies. This should go hand-in-hand with building European military structures to reduce reliance on US decision-making in line with current NATO 'burden shifting' efforts.
- **Increase European energy independence.** European member states are too reliant on imported natural gas, including from the United States. The green and hydrogen transition should be accelerated with the added geopolitical impetus to reduce the dependence on US energy supplies. But since natural gas is a crucial transition fuel, European member states should further develop longer-term supply contracts with a diversified set of suppliers, stimulate the development of LNG spot markets and reconsider current restrictions on domestic gas production.
- **Identify deterrents and how to use them.** Europe also has leverage over the US. Whether in the form of specific technologies or crucial industrial inputs or basing rights on the European continent for the US military, there are point dependencies the United States relies on. The highly integrated nature of the transatlantic market also means that European market access could be a key factor influencing US decision-making. Though mapping exercises of these pressure points are taking place, what is lacking is a consideration how European decision-making should be adjusted to enable effective deterrence. The episode regarding Greenland is informative. While the EU identified the activation of the Anti-Coercion Instrument (ACI) as a potential retaliatory move to stave off US ambitions towards the territory, its slow implementation – the necessary agreement to enact the ACI would take several months – demonstrated clear limits of its usefulness in a crisis.
- **Build coalitions.** Diplomatically, Europe should deepen ties with like-minded countries that find themselves in a similar situation. Think of countries like Canada, Japan, South Korea, and Mexico, which are close partners of the US and similarly exposed to coercive extractivism. The purpose is to compare notes on how to deal with US transactionalism, develop joint scenarios and common policy responses.
- **Diversify diplomacy in the US.** Within the US, European countries should intensify their economic and investment dialogues with individual state-level administrations and governors, as well as with members of Congress, to make their positions heard about the impact of US transactionalism on the

transatlantic alliance. The US federal government may take a transactional view of transatlantic trade, investment and security, but the legislative branch and state-level officials can be mobilised to help mitigate the impact of US coercive extractivism. Meanwhile, at the federal level, European member states should continuously underline the added value and mutual interest of a strong transatlantic relationship, while clarifying the consequences of continued US transactionalism.

Ultimately, the objective of the steps described above is not disengagement from the US, but a more balanced relationship that increases Europe's capacity to withstand coercive extractivism.

# Concluding: four possible paths

None of the above steps have, as of yet, been sufficiently implemented to arrest US transactionalism. Europe remains divided about how to deal with the United States and reacts to US behaviour rather than anticipates it. Greater European unity and a common sense of urgency is required. Domestic and European obstacles regarding the development and financing of European (defence) industrial capabilities must be overcome. Trade agreements with third countries should be embraced as a route towards diversification. It also requires a shift in thinking, where the relationship with the US is viewed differently from what it has been over the past eighty years. This will take time. Therefore, based on the exploration of the mechanics of US transactionalism, this analysis concludes with four possible paths in which the relationship could develop, as Europe grapples with this new reality.

1. **A slow burn:** European countries and EU institutions could prove unable to reduce their dependencies on the US to sufficiently halt Washington's coercive extractivism. Instead, they may make selective economic and regulatory concessions to stabilise the relationship while avoiding an open rift. As Max Bergmann observes, "Washington [may] continue to push Europe just hard enough to issue concessions but not too hard as to make the relationship snap." The transatlantic relationship would endure, but in a degraded and increasingly conditional form.
2. **A parting of ways:** European countries and the EU could pursue an accelerated effort to reduce their dependencies on the US both in the security and economic domains. This would include a rapid effort to develop a 'European pillar' in NATO that can operate with limited US involvement. Debates over a European nuclear capability would pick up steam. Furthermore, governments would invest in decoupling from US IT suppliers and tech platforms, while "Buy European" directives redirect procurement and investment away from the US market. The transatlantic relationship would effectively dissolve as Europe and the United States pursue separate geopolitical trajectories. In a multipolar context, the US and Europe might increasingly find themselves at opposing sides of the argument.
3. **Vassalisation:** European governments may be unable to reduce their dependencies on the US and unable to project a common approach to push back against US transactionalism. Political division on how to deal with the US reigns. The result would be continued coercive extractivism from

Washington, where repeated 'Unequal Treaties' are imposed on European member states and the EU. This would inevitably lead to a weakening of the EU and its regulatory power, undermine efforts to build a European defence base, and make the European economy a de facto mercantilist prey for US interests. It would turn European states into vassals of Washington.

4. **A transactionalist truce:** European countries and the EU may develop a common approach to respond to US transactionalism but fall short of reducing all dependencies. After all, the transatlantic economic and financial systems are deeply intertwined, and US nuclear deterrence remains a key feature of Europe's security landscape. But Europe may have learned to speak the language of power in Washington and be able to prevent the US administration from crossing commonly defined European red lines. Europe could show a willingness to formulate demands of its own and put its own economic leverage on the table. The US administration, still keen to make deals, would continue to take an opportunistic approach to the transatlantic relationship, but the dynamic would become less corrosive.

Which of these four options will come to pass remains uncertain. Gradually, European countries are coming to terms with a new reality, one where the relationship with the US is increasingly conditional. European leaders are now openly expressing the need to reduce their dependencies on the US, though action is slow. Meanwhile, Europeans should be prepared that coercive extractivism will continue and that the US will seek to extract economic or political benefits as the price for continued security support. This leads to an uncomfortable conclusion. The more Europe becomes aware of the extractive nature of its unbalanced relationship with the US and seeks to address it, the more Washington will try to extract gains in the short term. Today, as Europe prepares to address its uncomfortable exposure to US coercive extractivism, is perhaps the moment of maximum vulnerability. It will require deft diplomacy and resolute action by European governments and the EU to navigate these choppy transatlantic waters.