

GEOPOLITICAL AND ECONOMIC RISKS AT THE EVE OF THE TRUMP PRESIDENCY

Benoit d'ABOVILLE

Former Ambassador NATO, associate researcher with
Fondation Recherche Stratégique in Paris

9/01/2025

Title of the page

1 Trump II: A very different new team in Washington

2 Economic policies at the risk of inflation and conflict with the Federal reserve Bank

3 Contradictory aims: reducing trade deficit, lowering taxes, keeping the US \$ low, limiting emigration

4 A challenging international context: Ukraine, China, Iran

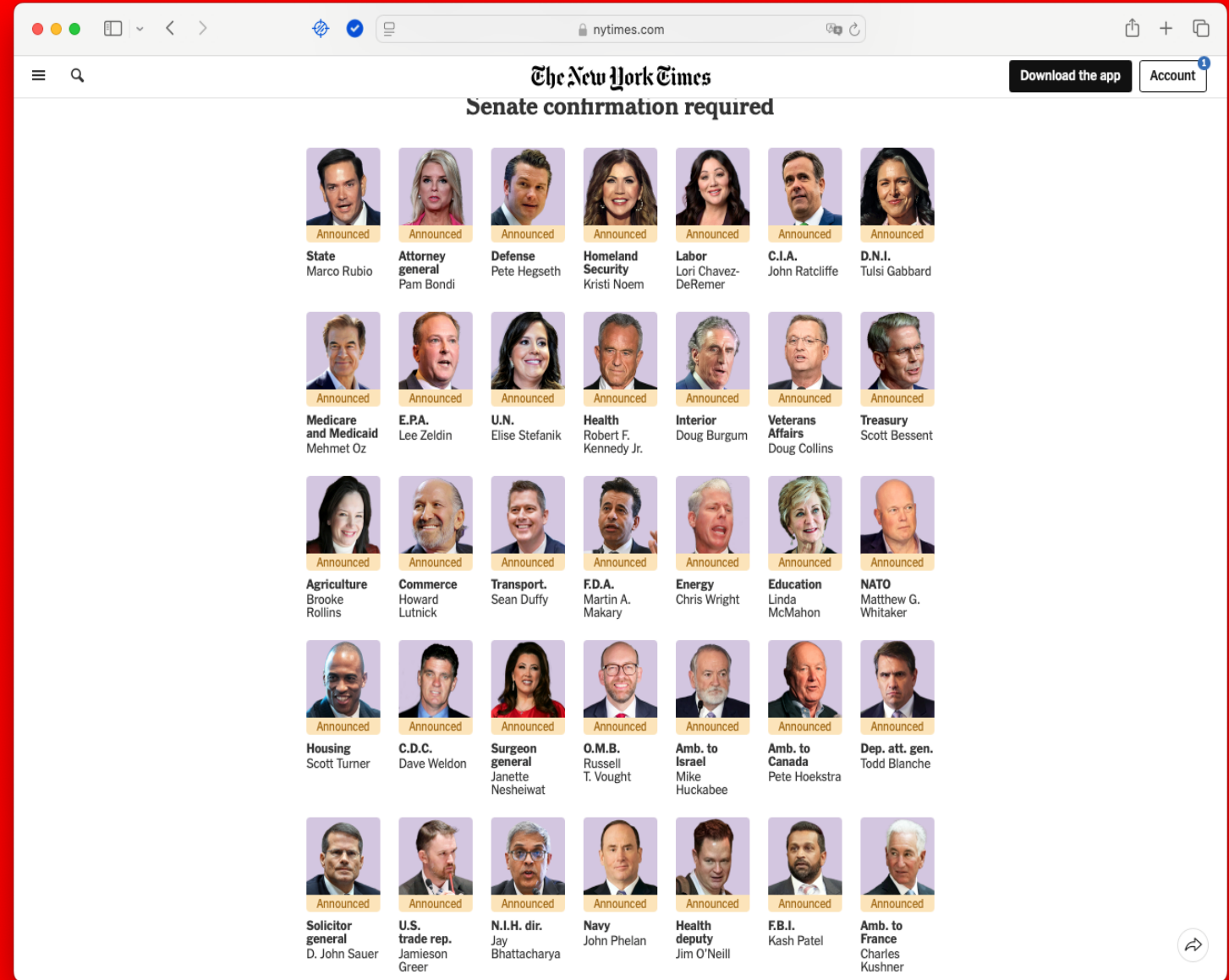
5 Trump administration indifferent to multilateral issues and risks

6 Will Europe be one of the main victims of the new Trump policies?

A very different new team:

Loyalty as first criteria

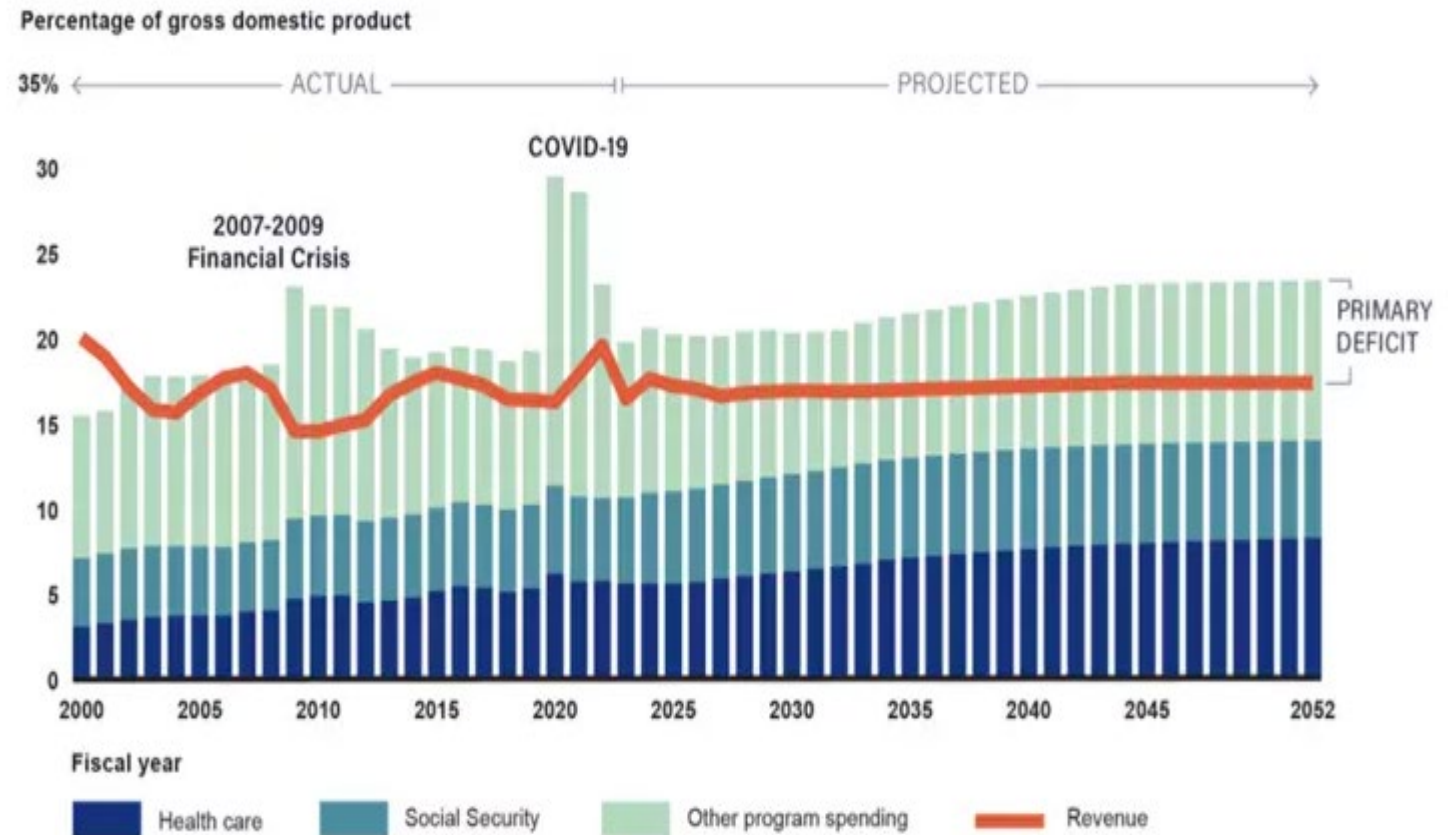
- No more “adult in the room” and a still erratic presidential style
- No longer traditional Wall street bankers but Fund managers, crypto-money moguls, a web of business and family networks
- Potential conflicts between Silicon Valley executives and MAGA followers, possible ego battles between Musk and Trump
- Until mid-term election (Nov. 26) strong political support on the Hill, Supreme Court and from public opinion on the issue of “no longer entering distant war”



Risks of reviving inflationary trends and federal budget expenditures

- ✓ **Tariffs war bringing risks of revival of inflationary trends and conflict with FED**
- ✓ **Massive illegal aliens deportation should have a negative impact on some sectors and lead to political and legal feuds at state level**
- ✓ **Ambiguity on the role of the new DOGE (Elon Musk) and limited results to be expected on federal expenditures**

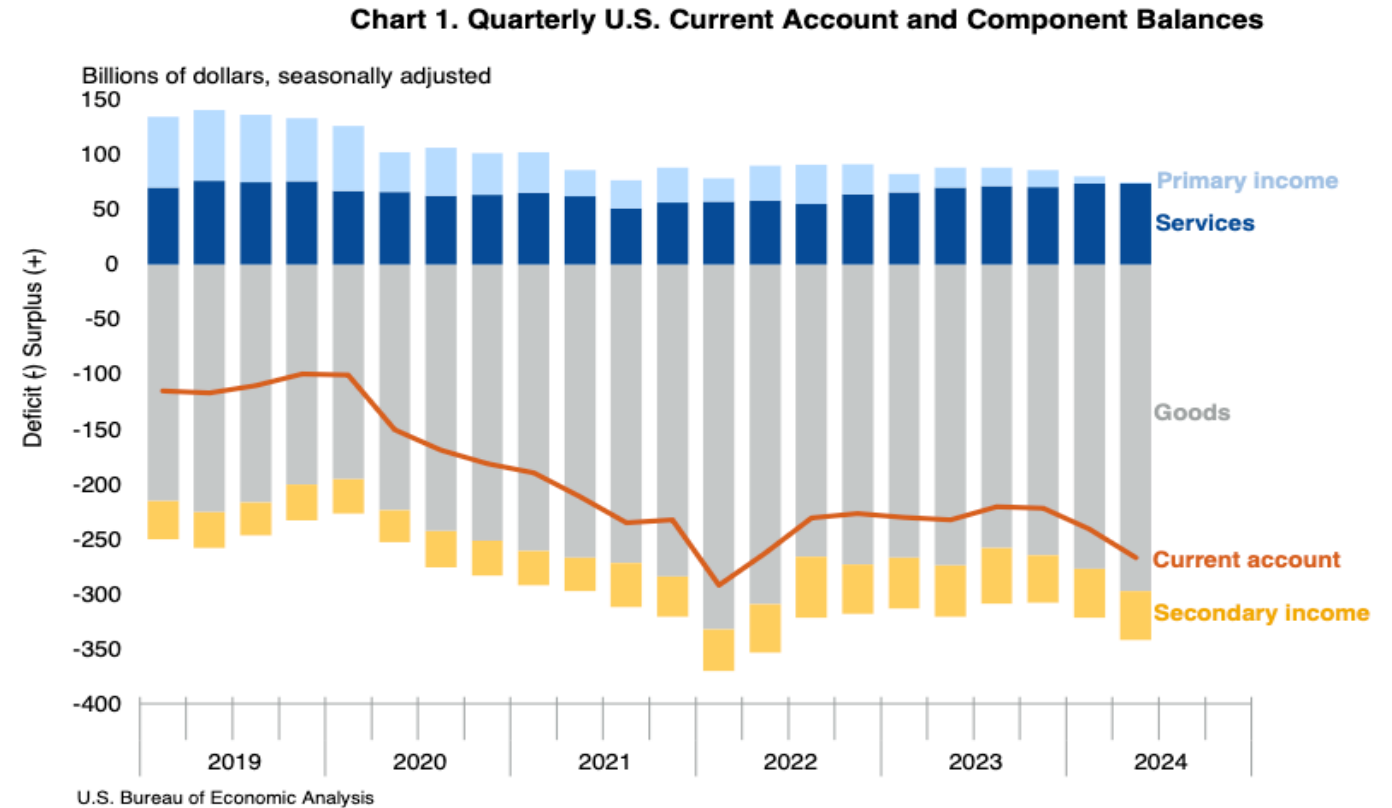
Tracking program spending and revenue over time



Source: Congressional Budget Office data and GAO simulation. | GAO-24-106987

The impossible challenge of both reducing trade deficit, keeping the \$ low and introducing the risks of financial instability through loosening banks and crypto currency regulations

- ✓ New hikes on external tariffs are inflationary taxes on US importations passed onto the American consumers. Will bring countermeasures
- ✓ Deregulation of bank system and crypto-currencies is bringing high financial risks
- ✓ FED anti inflation interest rates will encourage the capital flows into the US, support the US \$ raise and limit US export competitiveness



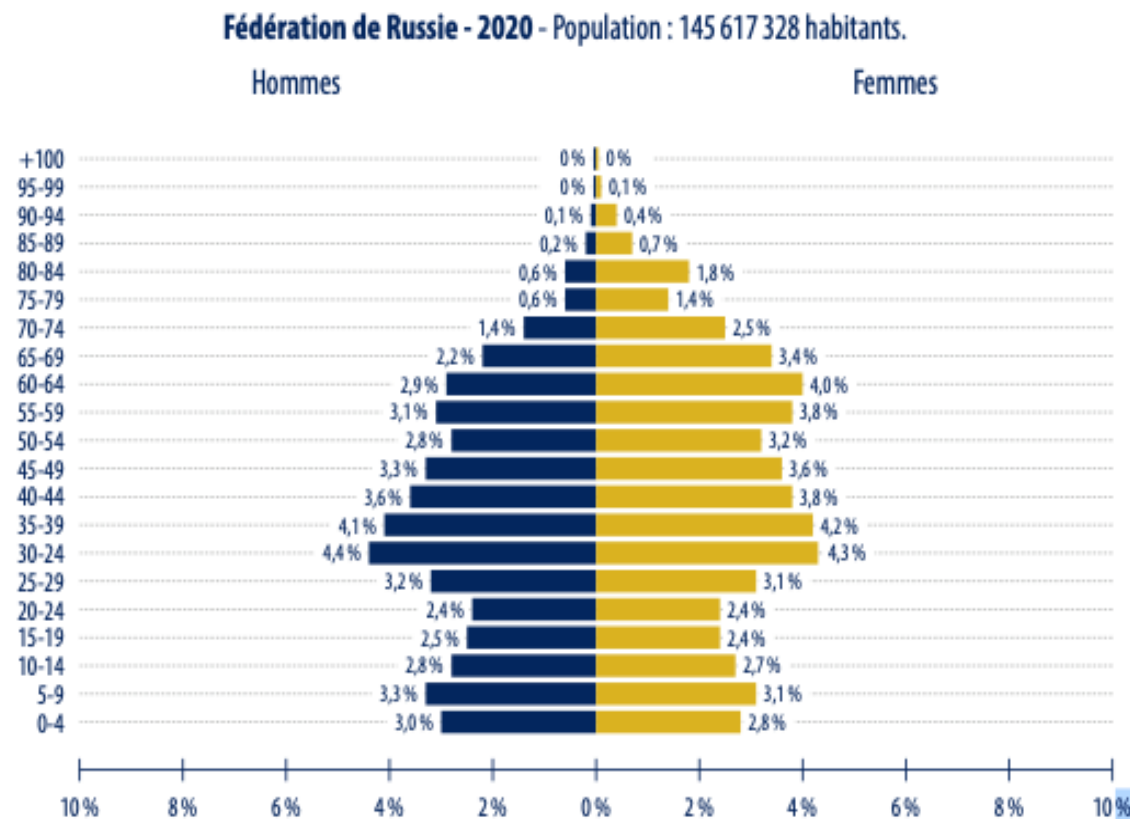
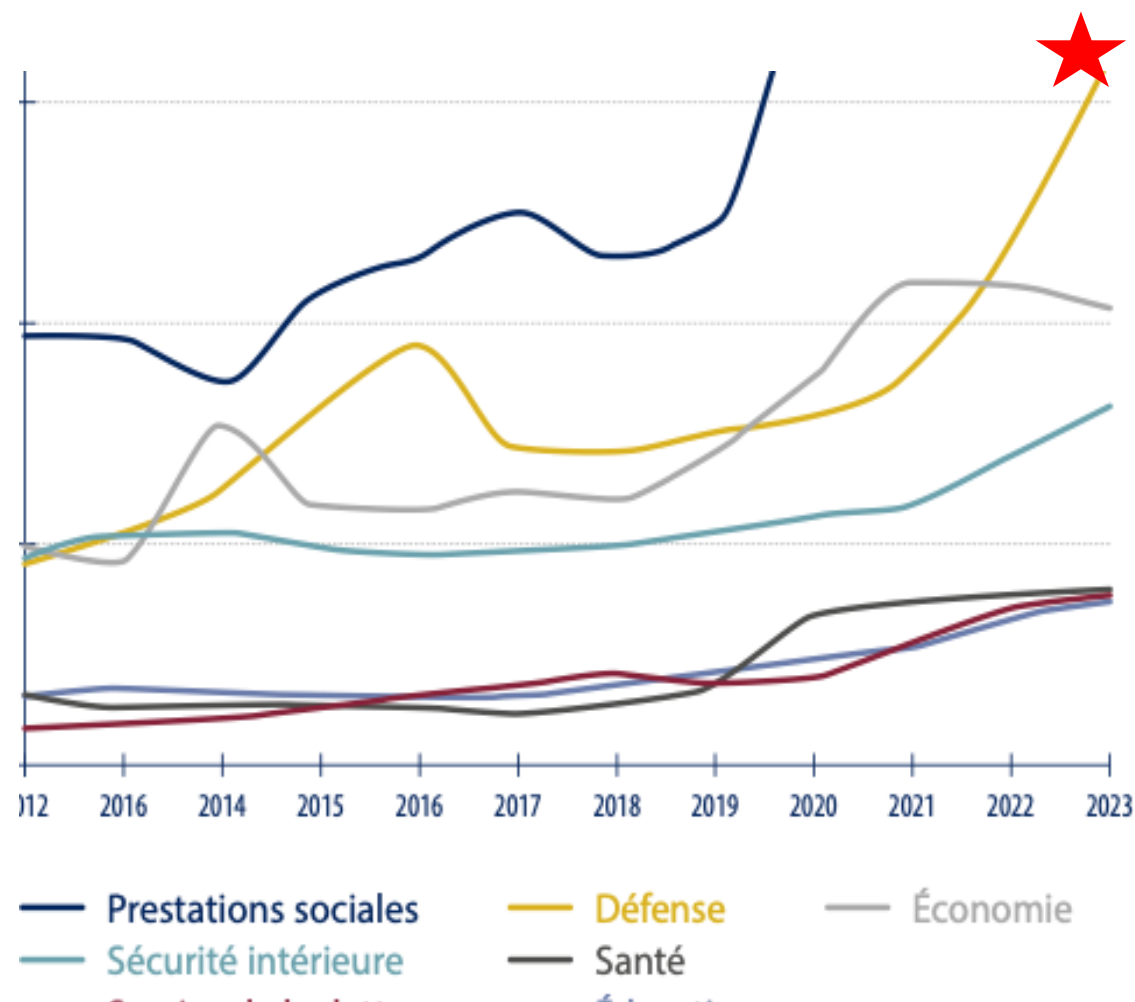
An international context much more complex than in 2016:

Ukraine, China, Iran

- ✓ US credibility is at stake on Ukraine
What are the current incentives for Moscow to negotiate a deal?
- ✓ Ambiguity, as for now, of Trump statements on Taiwan? Could a global deal with Xi be a temptation for Trump?
- ✓ The current recomposition of Middle East brings both risks and opportunities. Will, after last defeats, Iran respond by crossing the nuclear threshold? What will be Riyadh and Trump reaction?



Russia climbing defense expenditures and demographic decline



Source : *Population Pyramids of the World from 1950 to 2100.*

Trump administration and global international risks:

The Washington rejection of multilateralism and its political costs

- ✓ **Climate transition:** weakening of climate transition measures will damage US competitiveness on this area while remaining the second world polluter. Increase of world climate disruptions. How will states and insurers share costs?
- ✓ **Health and pandemics:** strong negationists and anti-vax in the Trump Washington. Withdraw by Washington from WHO. What if a world pandemic occurs without international cooperation?
- ✓ **Washington attitude against multilateralism** and international organizations will give a free space to China and Russia to play the BRICS game, challenging the current international order and western positions.

