AND IF EUROPE DOES NOT AGREE?

At first, European markets celebrated the announcement of the tariff agreement discussed on Trump's golf courses on Scottish soil. Finally the uncertainty is over, many have said. Then, as the hours passed, on the day of the announcement, July 28, the indices of the Old Continent began to fall. Yes, it's true, the uncertainty is over, but with tariffs at 15%, which are added to the 12% devaluation of the dollar since the beginning of the year, companies that export will have quite a few problems on the American market. The next day, European stock exchanges started running again: companies' earnings forecasts had been sharply lowered for the second quarter, but with the agreement on tariffs, some improvement over the worst had to be considered.

In the short term, stock markets, especially Wall Street, seem not to be particularly affected by Scottish smiles and handshakes. The American indices already have their own domestic support. Thanks to the weakening of the dollar, their earnings have increased: more than 80% of the companies that reported quarterly results beat analysts' expectations. In Europe, the situation is different: only just over half of the companies that announced results exceeded forecasts, while more than 40% disappointed them. But the agreement immediately affected future expectations that had already been set for the worst, fueling some hope on this side of the Atlantic as well.

Taking a broader scope, the agreement reached in Scotland between President Trump and European Commission President Ursula von der Leyen marks a turning point in transatlantic trade policy. In exchange for a 15% cap on US tariffs on European goods, Brussels has agreed to a programmatic commitment to invest $600 billion in the US economy over the next few years. It is, in fact, a deeply unbalanced agreement, accepted only to avoid the worst. As one European official put it, "better to get one punch than two". But it is always a punch! Putting together tariffs and the devaluation of the dollar - in practice it is like increasing production

Centro Studi Monte SA – Via Emilio Bossi nr. 6, 6900 Lugano – CH

www.centrostudimonte.com

costs by 27% - the competitiveness of European exports, in particular German exports, is seriously penalized. Why did Trump want to "punish" Europe in this way?

In reality, in the short term, Trump's real strategic target is not China, but Europe. If Beijing represents a medium-long term threat to Washington's hegemony, Brussels is perceived by Trumpian sensibilities as the real systemic threat that can undermine their desire to be a total power capable of maneuvering the entire world system. Of course, the United States is the first military and technological power. But their power scaffolding rests on the hegemony of the dollar. The greenback cannot have serious competitors on international markets and in central bank balance sheets because, if it did, financial flows to the dollar area would weaken, making it more difficult to sustain the huge debt of the United States and defense and technology spending. The euro is currently the only real threat to the undisputed hegemony of the dollar. There is no other currency today, the expression of an independent, credible central bank, and with the primary objective of containing inflation. Of course, behind the euro there is no real state. But precisely for this reason its criteria and its independence are solidly defined; it also represents a market of 380 million wealthy consumers and moves sophisticated and open financial centers.

It is no coincidence that in the first half of the year, with Trump's threats advancing, many investors preferred to move to the euro, despite lower rates, and to European stock exchanges that outperformed US indices. These movements have compounded American fears. International distrust of Trump has converged on the only credible monetary alternative. For this reason, Trump's "punishment" has the primary objective of systematically downsizing the European Union born, according to him, "to defraud the United States".

The American trade strategy therefore seems to be geared towards systematically downsizing the European Union. The imposition of high tariffs, the obligation for European companies to invest in the United States and the forced transfer of demand to the American economy respond to a precise logic: to weaken the euro to support the solitude of the dollar. The prolongation of the war in

Ukraine also contributes indirectly to this design: Europe is impoverished, Kiev militarily supports, purchases mainly American weapons, while the United States signs agreements with Ukraine to ensure privileged access to the exploitation of their rare earths. President Trump goes far beyond the approach initiated by Joe Biden, at least in terms of clarity: the cost of war must be borne by Europe, while Washington pursues a cynical balance between deterrence and resource control. The tone towards his friend Putin will only be soured if Russia were to win too large victories. Conflict can become functional to the control strategy. But it doesn't necessarily have to be too long. There are less violent tools to contain the euro: cryptocurrencies, especially stablecoins.

Jürgen Schaaf, senior adviser at the European Central Bank (ECB), recently agreed on this, warning in a recent *blog* that the spread of stablecoins pegged to the US dollar poses a threat to European monetary autonomy: "Stablecoins are reshaping global finance, with the US dollar at the helm. Without a strategic response, European monetary sovereignty and financial stability could erode."[1] Stablecoins such as USDT (Tether) or USDC (Circle) are cryptocurrencies whose value is stably pegged to the US dollar. To ensure this parity, stablecoin issuers hold reserves in dollars or financial instruments deemed safe such as US Treasuries. It is clear that Trump supports this tool. On July 18, he signed the GENIUS Act. The law, which could be operational within weeks, introduces a federal framework that, while broadly in line with the EU's crypto-asset regulation (which seeks to delimit their risks) is, in fact, much more lenient.

Given that the global market is already dominated by stablecoins based on the US dollar, it is clear how disruptive this can be. These represent about 99% of the total market capitalization of stablecoins, which are collectively worth $250 billion. In contrast, euro-denominated stablecoins remain marginal, with a market capitalization of less than €350 million. Market analysts - reports Schaaf - predict

[1] Jürgen Schaaf, *From hype to hazard: what stablecoins mean for Europe*, European Central Bank, July 28, 2025, https://www.ecb.europa.eu/press/blog/date/2025/html/ecb.blog20250728~e6cb3cf8b5.en.html

that the supply of stablecoins could reach $2 trillion by the end of 2028.

The European Union can still play an important role in this area and, indeed, take advantage of the context. For Schaaf, in fact, euro-based stablecoins, if designed according to high standards and effective risk mitigation, could meet the legitimate needs of the market. They could also strengthen the international role of the euro.

In the field of trade, it is likely that Ursula von der Leyen acted on a clear mandate from the main countries of the European Union with the aim of buying time and hoping that in three years Trump will no longer be there. Pressure from many lobbies has prompted several European heads of state, including Chancellor Merz, to scale back the terms of what has been accepted in the draft treaty. Even Merz would prefer to take time, because politically and militarily his country is not yet ready to define a policy of German and, hopefully, European centrality. But total submission to American wishes is now a danger both for the internal policies of individual EU members and for the European integration process itself, which should evolve towards the concept of a "strategic homeland".

The European Union therefore needs to act urgently. Will he succeed? What we have seen so far is not very encouraging. But cornered, through Germany and partly France, forms of reaction could multiply. These could affect the performance of the financial markets over the next few months. Only a strong reaction from the European Union can relaunch the debate on a partial deglobalization of the world in a multilateral framework, reducing Trumpian bullying.

Entering the month of August, however, the markets rewarded the dollar and therefore Trump's success. Corporate results brought Wall Street back to the podium. Will it be like this for the whole month? We will See. But the S&P and Nasdaq are already pricing in all the strength expressed by the U.S. economy and politics. While the potential of Europe (which could remain so) is still to be discovered. What would happen if the European Union found the consensus to challenge Trump's tariffs, loosen NATO's yoke, seeking its own policy of armed neutrality, and deepened its financial system, with the banking union and the planned revival of "stablecoineuro"? For now, not much is seen of all this. But some reaction in this sense could affect the performance of the second half of the year.