

THE FATAL FRIENDSHIP WITH THE U.S.

ANALYSIS OF THE NEW MAGA COMMERCIAL
WAR AGAINST THE WESTERN ALLIANCE



WRITTEN BY

SERGIO BIANCHI
DIRECTOR OF THE FOUNDATION AGENFOR INTERNATIONAL

“The USA is facing its biggest fiscal sustainability problem since the Civil War certainly and quite possibly in its entire history,”

Larry Summers, president emeritus and professor at Harvard University, pronounced these words at the World Economic Forum (WEF) in Davos, Switzerland, on Tuesday, Jan. 21, 2025.

THE FISCAL PROBLEM OF THE U.S.

To fully grasp the size of the crisis, it should not be forgotten that in recent years, on several occasions, the US Congress has had to temporarily suspend or even raise the maximum permitted limit for public debt, creating great difficulties at the national political level and turmoil in the international market finance. The United States debt situation has surged to alarming levels, putting it on track to outpace the economy. Specifically, the U.S. debt-to-GDP ratio now stands at 121%, the highest rate since 2021, according to data shared by the finance commentary platform *The Kobeissi Letter* on November 30. This ratio, not far from the Italian one (134,6% in 2023), is concerning because the last time the U.S. came close to this level was during World War II, when it peaked at 119%.

The aggressive commercial strategy of the US President Donald Trump must be analyzed in the context of this very serious *fiscal sustainability problem* framed in the declining US economy in the aftermath of the global financial crisis in 2008, following the bankruptcy of the US investment bank Lehman Brothers, the huge public expenses provoked by the COVID-19 pandemic in the States and the warlike politics of the last 50 years, which increased dramatically the expenses of the defense. In recent years, U.S. military spending

accounts for about 15 percent of what the federal government has spent in total: last year it was \$850 billion, compared with total federal government spending of around \$6 trillion, but there are years when this figure has been as high as 20%.

Serious fiscal problems, threatening the global power of the U.S., are at the basis of the *commercial war* unleashed by Trump against the best U.S. allies in Europe, Canada, Mexico, Brazil, Japan and India and the threatened military wars against the traditional enemies, Iran and the Axis of Resistance in the Middle East, Russia in the East front and China and in the Far East.

The very fragile situation and low growth prospects of the U.S. domestic economy can be considered as the main reasons behind Trump’s decisions to implement a very radical commercial offensive aimed at collecting financial resources through a brutal (and ineffective) tariff strategy on US imports and parallel draconian cuts on public spending in the U.S. internal market, using Musk’s cleaver.

With this new strategy the White House is trying to pump financial resources in the asphyxiated US public budget and attracts foreign investments in the U.S. using three unusual tools in the international scenario:

tariff, cuts and threats. It is a desperate move of a global power with feet of clay mired in a swamp fueled by decades of unsustainable spendings, real production crises and virtual economy based on debts.

Unfortunately, this new MAGA strategy has serious boomerang effects and doesn't impact on the main reasons at the basis of the very deep American financial and productive crisis.

LIVING ABOVE ITS FINANCIAL CAPACITY

The fact is that the U.S. lives above its financial capacity, importing more than it exports, with a weak and obsolete industrial base powered by the military complex, counting on the fact that it can pay the rest of the world with its national currency, which then returns to its country when the rest of the world buys the financial securities that the U.S. federal government issues in order to finance its deficit government spending.

This was the vicious circle until the war in Ukraine, the raise of China in AI and robotics and the decision of the BRICS countries to respond with a de-dollarization strategy.

Indeed, the US economy is strangled by a number of internal factors that are accumulating since 2008 and have worsened with the Russian invasion of Ukraine and the China-Russia-India-Brasil semi-alignment. The new Trump strategy doesn't touch the trigger factors of this in-deep fiscal crisis of the U.S. economy. Contrary to this, it may accelerate the fall and isolate the U.S.

In fact, MAGA policies are creating various problems in global supply and production chains, increasing the selling prices of many goods and services also in the United States.

This will reduce the purchasing power of the US consumers and population, resulting in a decline in the turnover of several companies, especially in the automotive sector, a production area where Trump harvested key votes during the last electoral campaign and where he now tries to repay back the consensus with tariff. A pure illusion, because Trump's proposed policies could drive inflation even higher than the levels triggered by his predecessor's actions with the Biden stimulus. Inflation impacts everyone by eroding the purchasing power of money. Growing investments in gold, arts and other safe haven assets are indicators of this trend, which subtracts resources from investments and innovation.

Moreover, the new Trump/Rubio immigration policy has a serious impact on other aspects of the projected U.S. market growth. Following the Penn Wharton Budget Model, between 2025 and 2054, an estimated 7.5 million low-skilled immigrants, 12.5 million high-skilled non-STEM immigrants, and 2.1 million high-skilled STEM immigrants were expected to enter the country legally through existing visa programs. By 2054, new low-skilled, high-skilled non-STEM, and high-skilled STEM immigrants will account for approximately 3.50 percent, 5.85 percent, and 1.00 percent of the total workforce, respectively. In reality, now skilled migrants are very suspicious and highly skilled workforce tend to find new countries for their future, due to the discriminatory and repressive policies of the duo Trump/Rubio. The lack of skilled manpower and skills mismatch is a growing problem in the U.S., as highlighted by all HR institutes, and therefore the labor market does not work as companies would like.

THE BATTLE FOR THE AI-DRIVEN ECONOMY

However, a central factor of the U.S. anxiety for the future financial perspective of the economy is represented by the growing competition of Chinese industries in the digital and e-automotive fields. The Silicon Valley miracle was the main success story of the US economy and provided essential fiscal resources to the U.S. budget through its global outreach and export capacity. In this area, the links between the American social media companies and the U.S. security apparatus, the evolution of Data Protection regulations and Digital Act in Europe, and, finally, the ever-faster development of artificial intelligence- all these factors created further havoc, because – as has already happened with the development of the Internet – many companies in this field are losing market shares, are no longer profitable and could fail in the coming months. The case of Deepseek compared to ChatGPT is a good example of this trend, as well as the new robotics and other key AI-driven products and solutions, where the Chinese industry proved to be very competitive and less expensive, from a market perspective.

The Chinese leadership in AI and robotics has an in deep impact in many production and financial sectors and will seriously impact the U.S. economy, if they find their way to the EU market. On the other side, the security barrier, which so far protected the Western Alliance in data and tech exploitation, could fall in front of the misuses of the U.S. media and AI-companies in war theaters, like the Palestinian genocide, and on spying operations against allied governments. The aggressive tariff policy against Western allies and the climate of hostility generated by the Trump's style of governance, could alienate partners and weaken the appeal for data security against foreign technologies, which is the excuse used

until now for the exclusion of Chinese platforms from Europe.

In the face of this announced catastrophe, we cannot remain neutral, as Ms. Meloni is doing. Europe must be united behind the strategy designed by our leaders, no matter if Von der Layen is strong or weak. It is Europe and without unity we will be destroyed.

As Henry Kissinger said once, *“It may be dangerous to be America's enemy, but to be America's friend is fatal”*.