



Flossbach von Storch
RESEARCH INSTITUTE

ECONOMY & POLITICS 25/03/2025

Trump's Ukraine and European policy - Russia and China are the beneficiaries

by NORBERT F. TOFALL

Abstract

Trump's foreign and security policy to date has brought China and Russia closer to their desired reorganisation of international relations and the global economy at record speed.

Zusammenfassung

Durch Trumps bisherige Außen- und Sicherheitspolitik sind China und Russland ihrer angestrebten Neuordnung der internationalen Beziehungen und der Weltwirtschaft in Rekordgeschwindigkeit nähergekommen.



I.

US President Donald Trump's Ukraine and European policy is increasing the risk of a major war in Europe. For this reason, both Germany and other EU countries are increasing their defence spending at an even faster rate in order to reduce this risk of war by arming themselves as a deterrent.

However, Trump's turning away from Ukraine and Europe has nothing to do with an isolationist foreign policy like that of the USA in the 1920s. Trump is pursuing an expansionist foreign policy, as demonstrated by his claims to Greenland, Canada, the Panama Canal and Ukraine's raw materials. And at the very latest since Donald Trump's speech on Tuesday after the Munich Security Conference, in which Trump blamed Russia's war of aggression in Ukraine on Ukraine and thus adopted Putin's narrative, it should be clear that "Munich 2025" has nothing to do with a "Yalta 2.0".

Some media are making the comparison with Yalta because direct negotiations between Putin and Trump are taking place over the heads of Ukraine and Europe. However, Yalta took place after the Second World War and after the aggressor had been defeated. Munich 2025 is therefore more reminiscent of Munich 1938 and the surrender of Czechoslovakia at that time. Donald Trump now appears to be in the process of surrendering Ukraine piece by piece. The hope remains that the increased European armament will act as enough of a deterrent to prevent a 1939. However, the aggressor Russia is far from being defeated.

Russia not only wants to bring the whole of Ukraine back into the Russian Empire, but also the former Soviet republics.¹ Since 17 October 2011 at the latest, Vladimir Putin has viewed the post-Soviet states as broken-off parts of a single state:

"The Soviet Union has collapsed. But what did the Soviet Union consist of? Russia. It was just called something else"²

And as early as 1994, Putin, who was still largely unknown at the time, declared at the 101st Bergedorf Dialogues of the Körber Foundation in St. Petersburg,

¹ See in detail NORBERT F. TOFALL: *What is the aim of Russian foreign policy? And how should the West react?* Commentary on economics and politics by the FLOSSBACH VON STORCH RESEARCH INSTITUTE from 25 October 2026.

² Thus Putin in an interview with three major Russian TV stations, quoted from VLADISLAV INOSEMTSEV and EKATERINA KUZNETSOVA: "Putin's useless toy. Moscow's Eurasian Union is an expression of geopolitical wishful thinking", in: *Internationale Politik*, 1, January/February 2012, p. 78 - 87, here p. 80.



"that Russia, in the interests of general security and peace in Europe, has voluntarily ceded huge territories to the former republics of the Soviet Union, including territories that have historically always belonged to Russia. I am thinking not only of Crimea or northern Kazakhstan, but also of the Kalinin-grad region, for example. The consequence is that 25 million Russians are now suddenly living abroad, and Russia simply cannot afford - if only in the interests of security in Europe - for these people to be arbitrarily left to their fate" (spelling and punctuation in the original).³

This is why Otto von Habsburg (1912 - 2011) constantly warned against Putin's policies in the last ten years of his life:

"In the period from Stalin to Putin, Russian imperialism has repeatedly set itself the goal of re-conquering Ukraine, incorporating Russia and using it as a starting point for further major operations against Poland and other parts of Europe."⁴

Since it has always been Putin's basic conviction to bring former Soviet republics home to the Russian empire, it is unfortunately likely that Russia will test and cross other borders as soon as it has air through a ceasefire in Ukraine.

For this reason, it is particularly problematic in terms of security policy that it is questionable whether Donald Trump even has a well thought-out peace plan for Ukraine. When asked about his peace plan for Ukraine during the election campaign, Trump repeatedly replied that the plan was secret and had to be because otherwise it would not work. However, as Trump wants to present the US population with a peace treaty between Russia and Ukraine or at least a permanent ceasefire as quickly as possible, a situation could arise in which Trump ultimately wants to force Ukraine to surrender or submit in some way in order to be able to quickly announce a success to his US supporters. The temporary suspension of US financial and military aid to Ukraine already suggests this.

Furthermore, Donald Trump has not repeated his original demand to Putin that the Europeans must install peacekeeping troops in Ukraine, after Moscow vehemently

³ Minutes of the 101st Bergedorf Round Table of the Körber Foundation, p. 38.

⁴ OTTO VON HABSBURG: *Our world has become small. Die Globalisierung der Politik*, Vienna (Amalthea) 2006, p. 115. See also BIANKA PIETROW-ENNKER and BENNO ENNKER: "Ein Reich mit Mission", in: *Frankfurter Allgemeine Zeitung* from 12 May 2014, no. 109, page 6: "Moscow's actions in the Ukraine crisis follow traditions and patterns of imperial policy that were outlined by Russian rulers from Ivan the Terrible to Stalin."



rejected Western troops and troops from NATO countries in Ukraine on several occasions. Trump is exerting pressure on Ukraine and thus on the aggressor, while he has so far largely refrained from exerting pressure on the aggressor.

Last but not least, Donald Trump justifies his alleged peace plan and his turning away from Ukraine and Europe by claiming that the United States of America must focus on the conflict with China.⁵ In doing so, Donald Trump is making two strategic mistakes.

II.

The first mistake is that Trump is following the idea of the so-called realist school of international relations, which believes that the US must and can win Russia over to its side in the fight against China. However, this idea is highly unrealistic. Since the Russian invasion of Ukraine on 24 February 2022 at the latest, there has been a new East-West conflict between China and Russia on the one side and the USA and Europe on the other. China is partly openly and partly covertly Russia's biggest supporter in the Ukraine war. Both see the West as a common enemy. The new East-West conflict is not only a conflict over hegemony, but also a strategic systemic conflict.

In order to understand the argument of the supposedly realist school of international relations that Russia can be detached from China's side, on the one hand, and to realise that this is highly unrealistic, on the other, one has to realise Russia's self-created dilemma in which it has found itself for years.⁶

Russia's greatest economic and political obstacle to development is its imperial striving for hegemony *in foreign policy* and its obsessive control and domination of all areas of society, including the economy, *in domestic policy*. Contrary to its own intentions, Russia has thus manoeuvred itself into a geopolitical situation in which only China is available as an important cooperation partner. In a partnership with

⁵ See the statement by US Secretary of Defence Pete Hegseth at the NATO Contact Group meeting in Brussels on 12 February 2025: "We're also here today to directly and unambiguously express that stark strategic realities prevent the United States of America from being primarily focused on the security of Europe. The United States faces consequential threats to our homeland. We must - and we are - focusing on security of our own borders. We also face a peer competitor in the Communist Chinese with the capability and intent to threaten our homeland and core national interests in the Indo-Pacific. The U.S. is prioritising deterring war with China in the Pacific, recognizing the reality of scarcity, and making the resourcing tradeoffs to ensure deterrence does not fail." Online on the Pentagon website:

[Opening Remarks by Secretary of Defense Pete Hegseth at Ukraine Defense Contact Group \(As Delivered\) > U.S. Department of Defense > Speech](#)

⁶ For the following paragraphs, see NORBERT F. TOFALL: *Ziele und Wirksamkeit von Wirtschaftssanktionen. An analysis of the Russia-Ukraine conflict*, study by the FLOSSBACH VON STORCH RESEARCH INSTITUTE dated 2 February 2015, p. 12.



China, however - as Erich Weede, a follower of the so-called realist school of international relations, rightly pointed out years ago - Russia is not a hegemonic power, but only a junior partner.⁷ The idea that Russia can be separated from China is based on this context. Russia does not want to be China's junior partner.

But does this make Russia a partner of the USA? Or is it not - contrary to the ideas of the realist school of international relations - more realistic in the true sense of the word that China and Russia will first try everything together to reorganise international relations and the global economy in their interests.

In addition, Russia's domestic and economic policy of control and domination of all areas of society has meant that since the collapse of the Soviet Union and real socialism in 1991, Russia has still not solved its economic structural problems, while other states of the former Soviet Union and the Eastern Bloc, such as Lithuania, Latvia, Estonia, Poland and the Czech Republic, have made considerable progress in a painful transformation process of creative destruction.

And domestic, foreign and economic policy belong together in Russia, because Russia has turned its own energy industry and the export of oil and gas into a central geopolitical weapon controlled centrally by the Kremlin, thereby preventing both the free economic and competitive development of its own country and peaceful foreign economic cooperation with its neighbours.

The establishment of a Eurasian Economic Union⁸ on paper in 2014 is therefore an attempt by the Russian leadership to avoid the dilemma it has created for itself. The geopolitical goal of a Eurasian Union that goes beyond the pursuit of purely economic interests is to secure Russia's position as an equal hegemonic power

⁷ On this, see ERICH WEEDE: "Geopolitics, Prosperity and International Conflict: Russia between China and the West", unpublished manuscript as of November 2014, which was presented for discussion at the European Public Choice Conference in Groningen in April 2015. Particularly interesting on p. 5: "Putin's annexation of the Crimea does not make Russia a plausible candidate for global leadership... In order to become one of the main players in geopolitics, one needs a big first-class economy rather than the mediocre one which Russia has." See also p. 24: "The recent annexation of the Crimea provides no solution to Russia's strategic predicament. Even if Russia succeeded in taking over all of the Ukraine and White Russia and in pacifying these conquests within a short period of time, the most likely effect would be a revival and fortification of the North Atlantic alliance. Western economic sanctions could drive Russia into China's embrace. But the Chinese economy would remain both much bigger and more dynamic than the Russian one."

⁸ The Treaty on the Eurasian Economic Union was signed by the heads of state and government of Belarus, Kazakhstan and Russia on 29 May 2014 and entered into force on 1 January 2015. The treaties on the accession of Armenia and Kyrgyzstan to the Eurasian Economic Union were signed on 9 October and 23 December 2014 respectively. The accession treaty for Armenia entered into force on 2 January 2015. Kyrgyzstan's accession treaty entered into force on 6 August 2015. Kyrgyzstan has been a member of the EAEU since the day it was founded as an accession country. See the homepage of the Eurasian Union:

[Евразийский экономический союз \(ЕАЭС\)](#)



alongside China and the USA in the long term. Putin's invasion of Ukraine is a desperate attempt to forge the Eurasian Union he has long sought with blood and violence. For without Ukraine as an important component of a Eurasian Union, Putin's plans cannot be realised and remain in their infancy.

However, Donald Trump's Ukraine and European policy now means that Putin could come closer to his geopolitical goals with US help. For Putin, the capitulation of Ukraine - in whatever form - is only the first step towards the occupation of the whole of Ukraine and a subsequent major war in Europe in order to expand the Eurasian Union and lend it more geopolitical weight.

China is unlikely to be interested in the expansion of a Eurasian Union. However, an expansion of the Eurasian Union to include Ukraine, the Baltic states and Poland is unlikely to be realised without a major war in Europe. Neither the former Soviet republics nor Central and Western Europe will surrender to Russia without a fight. At the moment, China therefore does not have to do anything about the still distant expansion of a Eurasian Union and can wait and see. Moreover, China will certainly organise its relations with Russia in such a way that Russia does not side with the USA. The keyword BRICS+ is sufficient at this point.

So what does the US ultimately gain by turning away from Ukraine and striking a deal with Russia for the dispute between the US and China? A potential major war in Europe is likely to strengthen, not weaken, China's geopolitical position. Donald Trump could therefore be doing the USA a disservice with his Ukraine and European policy.

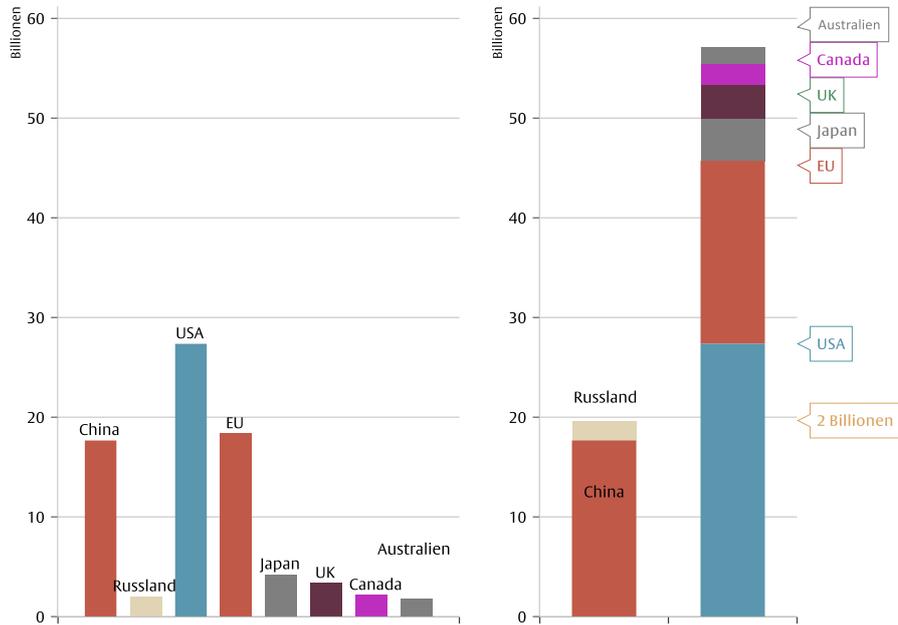
III.

Donald Trump's second strategic mistake is that he thinks he can overcome the geopolitical and geoeconomic challenges posed by China and Russia alone, without allies and without the existing alliances. However, the economic figures speak against this.

China is not much smaller than the USA in terms of nominal GDP in US dollars (see chart 1, left-hand side). If we look at China and Russia on the one hand and the USA together with the EU, the UK, Canada, Australia and Japan on the other, a different picture emerges. Looking at the gross domestic products of Western countries on the one hand and China and Russia on the other (see Figure 1, right-hand side), there is a high probability that the West can successfully overcome the Chinese and Russian challenges if it represents its economic and political interests against China and Russia in a reasonably united manner and agrees on a joint China and Russia strategy.



Figure 1: Nominal GDP in US dollars in 2023



Source: Flossbach von Storch Research Institute, Macrobond, International Monetary Fund (IMF). Data from 17 June 2024

However, Donald Trump is in the process of destroying or gradually dismantling transatlantic relations and Western alliances. He is turning Canada against him and turning away from Europe and towards Russia. A common Western China strategy is further away than ever. This strengthens China's geopolitical position, which also means that the likelihood of a Chinese invasion of Taiwan or a total blockade of Taiwan at sea and in the air becomes more probable.

All in all, this means that Donald Trump's foreign and security policy with regard to Ukraine and Europe as well as China is increasing the risk of war worldwide. It is not only Ukraine and Europe that will suffer, but also the USA itself. China and Russia have come closer to reorganising international relations and the global economy at record speed as a result of Trump's first weeks since his second inauguration on 20 January 2025. What did the Kremlin say at the end of February? They see "complete agreement" with Donald Trump.



LEGAL INFORMATION

The information contained and opinions expressed in this document reflect the author's judgement at the date of publication and are subject to change without notice. Forward-looking statements reflect the views and expectations of the author. The opinions and expectations may differ from estimates presented in other documents of Flossbach von Storch SE. The articles are provided for information purposes only and without any contractual or other obligation. (This document does not constitute an offer to sell, buy or subscribe to securities or other instruments). The information and assessments contained herein do not constitute investment advice or any other recommendation. No liability is accepted for the completeness, timeliness and accuracy of the information and assessments provided. **Historical performance is not a reliable indicator of future performance.** All copyrights and other rights, titles and claims (including copyrights, trademarks, patents and other intellectual property rights as well as other rights) to, for and from all information in this publication are subject without restriction to the respective valid provisions and ownership rights of the respective registered owners. You do not acquire any rights to the content. The copyright for published content created by Flossbach von Storch SE itself remains solely with Flossbach von Storch SE. Reproduction or use of such content, in whole or in part, is not permitted without the written consent of Flossbach von Storch SE.

Reprints of this publication as well as making it publicly accessible - in particular by inclusion in third-party websites - and reproduction on data carriers of any kind require the prior written consent of Flossbach von Storch SE

© 2025 Flossbach von Storch. All rights reserved.

IMPRINT

Publisher Flossbach von Storch SE, Research Institute, Ottoplatz 1, 50679 Cologne, Telephone +49. 221. 33 88-291, research@fvsag.com ; *Managing Directors* Dr Bert Flossbach, Dr Tobias Schafföner, Dr Till Schmidt, Marcus Stollenwerk; *Chairman of the Board of Directors* Kurt von Storch; VAT ID DE 200 205 205; Commercial Register HRB 120 795 (Cologne Local Court); Responsible supervisory authority Federal Financial Supervisory Authority (BaFin). Till Schmidt, Marcus Stollenwerk; *Chairman of the Board of Directors* Kurt von Storch; VAT ID DE 200 075 205; Commercial Register HRB 120 796 (Cologne Local Court); *Responsible supervisory authority* Federal Financial Supervisory Authority, Marie-Curie-Straße 24 - 28, 60439 Frankfurt / Graurheindorfer Str. 108, 53117 Bonn, www.bafin.de; *Author* Norbert F. Tofall *Copy deadline* 24 March 2025