

Trump as a Geopolitical Risk

Marketing Communication

Why is the US focused on Greenland?

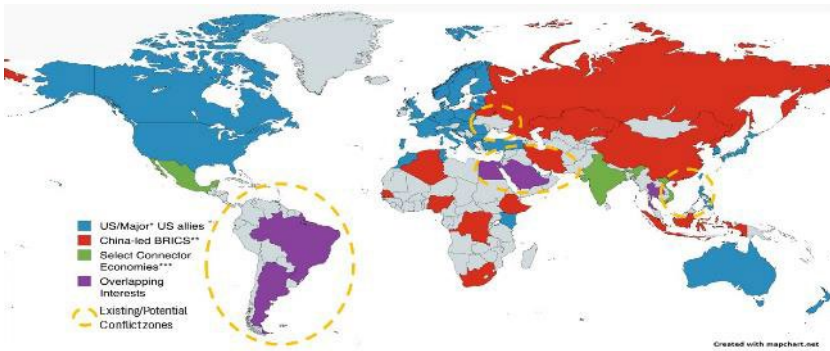
- US President-elect Donald Trump has stirred both interest and consternation over his seemingly impulsive suggestions that the United States could invade the autonomous Danish territory of Greenland. Although Trump has undoubtedly been more vocal than his predecessors, the US has expressed interest in purchasing Greenland from Denmark on at least four occasions since the 19th century, most recently in 2019 by Trump during his first term as President. This quest for control of Greenland demonstrates that the territory has been of strategic importance to the United States for over a century.
- Greenland is currently home to the Pituffik Space Base, the centrepiece of the US network of ballistic missile warning sensors and space surveillance/control sensors for the North American Aerospace Defense Command (NORAD). Greenland's strategic importance has grown further in recent years, with the rapid melting of the polar ice cap set to open sea lanes through the Arctic Ocean and expose the area's mineral resources, including rare earth metals, up to potential exploitation. With Pituffik also home to the world's most northerly deepwater port, Greenland increasingly offers a strategic location alongside UK, Canadian, and Scandinavian waters for securing Arctic naval interests.
- It is no coincidence that Trump's interest in Greenland followed the 2017 election victory of pro-independence parties in Greenland, while his most recent statements have followed Greenland's official confirmation that independence is its ultimate goal, with the prospect for an independence referendum as soon as 2025.
- Should Greenland achieve independence from NATO member Denmark, it could find itself outside of the NATO security umbrella. Yet the status quo may be no better as Denmark's Defence Minister recently acknowledged that Denmark has 'neglected for many years to make the necessary investments in ships and in aircraft that will help monitor our kingdom'. This leaves the strategically important territory potentially vulnerable to unwelcome 'advances' from rivals and in a similar position to the Philippines (and its interests in the South China Sea) and Ukraine.

Implications

- From this point of view, Trump's exhortations about Greenland combined with his new target for NATO defence spending (5% of GDP) are similar to his insistence in 2016 that European NATO members spend 2% of GDP to address perceived national security threats, which were realised in 2022 with Russia's invasion of Ukraine. Ironically, that invasion (and Trump's defeat in 2020) were arguably the catalysts for starting to repair the damage to NATO that Trump 1.0 had caused.
- As for European countries, having failed to take meaningful action during Trump's first term, they are presented with another opportunity to take greater control of their security needs by doing exactly what Trump has outlined. This involves rapidly increasing defence spending and becoming more independent of the US, their primary security guarantor since WWII. Former Italian Prime Minister Mario Draghi highlighted this as an objective in his report *The Future of European Competitiveness* (Sep. 2024).

As we argued in our 2025 Investment Outlook entitled *Fragmented Resilience* (Nov. 2024), a European effort along those lines should create a long-cycle opportunity within the European defence sector. Likewise, the fragmentation of the alliance that has underpinned Western security since WWII suggests that a strategic allocation to gold within portfolios is likely to remain valuable as Trump 2.0 unfolds.

Major power conflicts occur where majors powers meet...



Sources: Mapchart.net and UBP

* NATO allies + officially designated major US non-NATO allies

** Members of the BRICS alliance (ex-India) including nations applying for membership

*** Mexico, India, Vietnam, Singapore, UAE

...and Greenland represents a potential venue for just such a conflict



Source: Geology.com

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