



PRESS RELEASE

EU-US trade agreement: an unbalanced deal with scarce details

Japan, 4 August 2025 – On 27 July 2025, Donald Trump and Ursula von der Leyen announced an agreement establishing a basic tariff rate of 15% on most European products entering the United States. This unbalanced compromise avoids the worst but further weakens European competitiveness.

The 15% rate would apply to around **70%** of EU exports to the United States. The compromise avoids the threat of a 30% tariff initially brandished by the US president but remains well above the **1.2% rate applied in 2024**. The EU has also committed to investing **\$600** billion in the United States and purchasing **\$750** billion worth of US energy products over three years, commitments whose feasibility is being questioned.

Europe is as well, or even better off than its competitors

Despite its unbalanced nature, this agreement puts the EU in a relatively privileged position. Only the United Kingdom enjoys more favorable treatment, while Japan will also face 15%, Indonesia and the Philippines 19%, and Vietnam 20%. For countries without an agreement – Canada, Mexico, South Korea and Brazil – Trump is threatening tariffs from 25% to 50%.

This 'hierarchization' of US trading partners confirms the Trump administration's bilateral negotiation strategy, which favors bilateral power relations over multilateral agreements.

European companies face the challenge of competitiveness

The impact on European businesses will be particularly severe in several key sectors. The **steel industry** remains subject to 50% tariffs, while **automotive**, **chemical** and **machinery** now face 15%. For the automotive industry, already weakened by Chinese competition, this tax represents an additional handicap in a crucial US market.



The challenge is even more complex given that the 13% appreciation of the euro against the dollar since January is exacerbating the **loss of price competitiveness**. Assessing the economic impact of these tariffs depends largely on assumptions about who will bear the burden of the increased costs throughout the value chain, i.e. from European exporters (and their suppliers) to US consumers. Recent business surveys conducted by the Federal Reserve's regional banks suggest that **US businesses and consumers are absorbing nearly 90% of the additional costs resulting from the tariff increases**. However, for some easily substitutable products, the impact could be greater for European exporters. The ability of European companies to absorb the burden of tariffs already appears limited in some sectors such as steel, chemicals and automotive.

A defensive strategy in the face of European divisions

The European acceptance of an unfavorable agreement can be explained by the desire to avoid the worst and restore some commercial stability. It also reflects internal divisions within Europe. Exporting countries (Germany, Italy, Ireland) and Eastern European nations, concerned about the geopolitical repercussions, pushed for a quick compromise rather than risk escalation.

However, the EU is thus preserving access to its main non-European market (**20%** of its exports, excluding intra-EU trade), but at the cost of weakening its competitive position and making financial commitments whose fulfilment remains uncertain or even impossible to fulfil.



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