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## New customs agreement between the US and the EU

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### Summary

Following months of back-and-forth tariff threats, the United States and European Union were able to negotiate a tentative trade agreement to avoid an all-out trade war. However, some saw the agreement as favoring US President Donald Trump too much, rather than protecting European economic interests. There are still many details up in the air as discussions over the deal in writing continue between the US and EU.

### Key points

- The agreement has a 15% blanket tariff on most goods exported from the EU to the US, but certain metals are subject to a 50% tariff, and some “strategic” products are exempt from any tariffs.
- The economic and political repercussions remain to be seen because the agreement has not been finalized, and negotiations are still ongoing.

## Introduction

On July 27, American President Donald Trump and European Commission President Ursula von der Leyen met in Scotland to reach an agreement on tariffs and trade between the United States and the European Union. While there is relief over a trade war being averted, the potential repercussions of the deal are coming into focus as more details are ironed out.

## The deal itself

The US and EU have the largest trade relationship in the world, generating over €1.6 trillion in 2024. After months of uncertainty over what Trump's new economic policies would mean for Europe, "This political agreement restores stability and predictability for citizens and businesses on both sides of the Atlantic (...) secures continued access for EU exports to the US (...) provides the basis for continued collaboration between the EU and US" (European Commission, 2025). Perhaps the biggest part of this deal is a 15% tariff on the majority of EU exports to the US; while lower than the original proposal of 30% (World Economic Forum), it still presents a significant increase in the cost of exporting to the US. However, this tariff rate is not universal. Steel, aluminum and copper remain subject to a 50% tariff. Further, certain strategic sectors, including some chemicals and pharmaceuticals, semiconductors and aircraft parts have been exempted from the 15% rule for now, but there is no guarantee that that will stay the case in a binding, finalized agreement.

There were multiple discrepancies as to what was included in the deal. For instance, "Trump and von der Leyen flatly contradicted each other on Sunday, with the U.S. president saying the trade deal didn't include pharmaceuticals — and the Commission chief saying it did" (Eccles, 2025). While it was later clarified that the tariff rate was 0% for the time being, it is possible that some yet-to-be-determined chemicals, would be subject to the 15% rate. Additionally, the White House's fact sheet on the deal stated that "The European Union agreed to purchase significant amounts of U.S. military equipment," but the EU's fact sheet did not mention anything about military equipment or defense spending.

## What it means for Europe

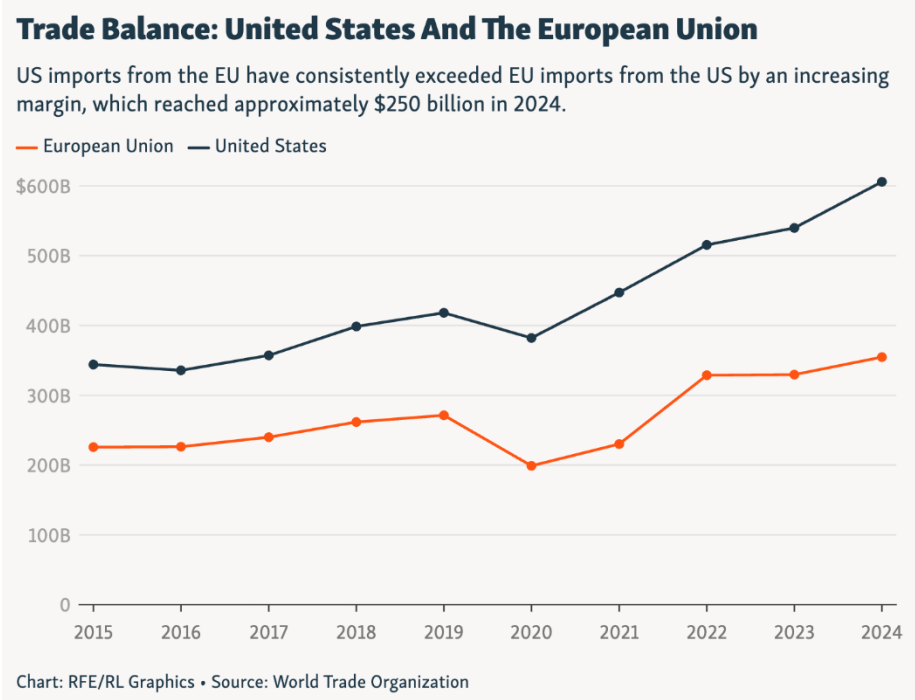
The general consensus seems to be that any deal was better than no deal, rather than risking an all-out trade war. However, the agreement exposed some major divides within the EU. The Prime Minister of France, François Bayrou, called the deal a "dark day" for the EU, whereas "EU Trade Commissioner Maroš Šefčovič, for instance, said it was the 'best deal we could get under very difficult circumstances'" (Edmond, 2025). Each EU member state has different political and economic stake in this agreement, be it the auto industry, chemicals and pharmaceuticals or not wanting to further damage an American alliance, resulting in a less-than-unified response overall. However, there is time for these differences to be ironed out. The first version of the agreement in writing was sent to the EU mid-August, and EU Commission trade spokesperson Olof Gill said that there would be "engagement at both technical and political levels with our American counterparts, and we keep the work going forward in that sense" for a joint statement on the deal: more of a "political declaration" rather than the finalized, binding deal (Weizman, 2025).

The economic impacts remain unclear given that negotiations are ongoing. American consumers are most likely to bear the brunt of these tariffs, especially since it is unlikely for retaliatory tariffs to be implemented at this time, but "it remains to be seen whether the higher costs will be absorbed by European companies trying to protect market share, or if they'll be passed on to US consumers, potentially reducing demand" (Edmond, 2025). This "chillier global trade backdrop" (Kirby, 2025)

has led to an overall decrease in European exports over the last several months, which could continue given the rising costs of goods. In June, EU exports to the US fell by 10%, with drops also seen in trade with China.

While Trump’s priority is reducing American trade deficits, reflected in graph 1, some aspects of the current deal may not make that possible. A prominent example of this relates to energy; under the original agreement, the EU will buy \$750 billion in American energy, but “hitting that target would require the EU to triple its U.S. energy imports, based on last year’s figures, while asking American firms to divert all their energy flows worldwide toward the bloc” (Jack, 2025). This is also representative of just how much of this deal relies on private firms and individual businesses and enterprises, and how they choose to invest and operate under these new guidelines.

**Graph 1: EU-US trade balance**



Source: World Trade Organization via Radio Free Europe/Radio Liberty

### Global repercussions

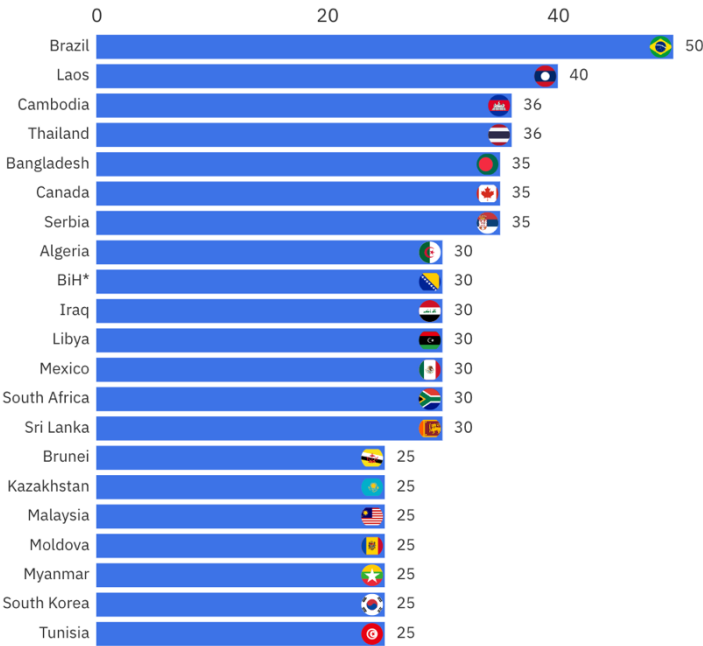
The results of this deal have yet to be fully seen around the world because the agreement has not been completely solidified. However, compared to other countries that do not have any deal with the US, the 15% ceiling is on the lower end of American tariffs, as seen in graph 2. The EU agreement mirrors similar deals that the US has made with Indonesia, Vietnam, Great Britain and Japan, which could be beginning of new worldwide trading patterns.

Many also see this deal as an opportunity for Europe to continue developing self-reliance in sectors such as technology, as well as to “diversify its trade with other nations to maintain growth and offset the negative impact of tariffs” (Reuters, 2025) given how important trade is to the EU economy. While the US-EU relationship is invaluable, the lack of balance towards the EU in this deal presents a prime opportunity for Europe to strengthen other relationships and continue to become more self-sufficient.

Graph 2: Non-deal tariff rates

### Tariff rates for countries with no US deal

Here are the tariff rates set to take effect on 1 August



Source: World Economic Forum

### Conclusion

With so much remaining unclear, taking advantage of ongoing negotiations is going to be crucial in ensuring the best possible outcome for EU member states. Although the situation is not ideal, Europe has an opportunity to push for more specific, achievable and beneficial guidelines. The EU is one of the most powerful economies in the world; while the situation is not ideal, utilizing negotiating power and possibly threatening or implementing counter tariffs (a plan that was in place in the event a deal could not be reached), could firm its negotiating power and open doors for other deals. Regardless of the course of action taken, the next few weeks and months will be essential in determining the economic security of the EU and its relationship with the US.

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