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The EU and US strike a deal on trade and tariffs: what consequences for businesses?

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Overview

On 27 July, European Commission President Ursula von der Leyen and US President Donald Trump announced the conclusion of a **preliminary agreement on trade and tariffs**. The deal was reached days before the 1 August deadline, after which EU export goods to the US would have been subjected to a 30% baseline tariff. The announcement happened at one of Trump's golf courses in Scotland, a foreshadowing of a solid yet still asymmetrical deal in favour of the US.

Overall, the new deal includes a **15% baseline tariff on EU exports to the US**, with limited exceptions, together with a **commitment by the Union to increase its purchases of US energy and to boost overall investments** in the States. Potential further commitments from the EU to buy more US-made military equipment, and to ease up on non-tariff barriers for the agricultural, industrial, and digital sectors are yet to be clarified.

Of note, there is still some **lack of clarity on measures concerning barriers on digital trade, steel and aluminium tariffs, purchase of US-made military equipment, and Section 232 Investigations**, as the EU and US put out different statements on these matters.

Several specific elements of the agreement will need to be further clarified at the technical level by EU and US negotiators.

Key elements of the preliminary agreement

Main points discussed
15% baseline tariff on EU exports (including cars, semiconductors, and pharmaceuticals), with limited exceptions for strategic sectors
Lack of clarity on 50% tariffs on EU steel and aluminium (diverging statements from EU and US)
EU to increase purchase of US energy to USD 750 billion by 2028
EU to boost investments in the US to USD 600 billion by the end of Trump's term
Purchase of EUR 40 billion of US semiconductors to support EU gigafactories
Potential increase in arms purchase (not confirmed by EU negotiators)
The EU and US will work to eliminate tariffs in further sectors and introduce quotas in other
EU to ease up non-tariff barriers for industrial, agricultural, and digital sectors (not confirmed by EU negotiators)

The agreement sets out a **15% baseline tariff on the majority of EU exports to the US, including cars, semiconductors, and pharmaceuticals**. A number of EU officers underlined that the new tariff rate on pharmaceuticals and semiconductors will enter into force only after the conclusion of an internal **Section 232 investigation** on these two goods, after which a new tariff of maximum 15% would be imposed. However, **intelligence suggests that the 15% cap to the tariffs for these goods is simply an interpretation of the Commission** and has **not been agreed on by the US** so far. It is also unclear whether such a cap would apply to other goods subject to a Section 232 Investigation, notably copper and timber, lumber, and derivative products. Finally, the deal includes a number of **exceptions for strategic goods**, such as aircraft components, selected chemicals, generic medicines, semiconductors equipment, natural resources, critical raw materials, and certain agricultural products.

It is currently unclear whether the 50% tariff rate for steel and aluminium will be maintained or lowered, as the fact sheets from the EU and US diverge on this point. While the EU suggests that that quotas will be introduced and that the 50% tariff rate will be cut, the US underlines that the duty will be kept at 50%.

The EU also pledged to **procure more investments in US energy** (LNG, oil, nuclear fuels) over the next three years, with an expected offtake of USD 750 billion by 2028, amounting to USD 250 billion per year. **Experts are sceptical of the EU's capacity to meet this target**, as it represents a significant increase over current levels of US energy purchases by the EU, which in 2024 spent only EUR 76 billion on US energy products. **US suppliers also would also likely struggle** to supply these volumes of energy products. Moreover, the EU underlined that, while it will facilitate contacts between EU buyers and US sellers of energy, **the final decision "naturally belongs to companies"**. Therefore the USD 750 billion target is seen by the EU as an estimate of what EU companies will purchase, while while the language used in the White House factsheet seems to interpret it as a stricter commitment.

The Union further pledged to **invest USD 600 billion more** than what currently planned in the US over Trump's term. The European Commission underlined that the USD 600 billion would come solely from private investments, instead of EU public finance. Brussels also agreed to **boost investments on AI chips to EUR 40 billion** to support European gigafactories. In a press release on the deal, **the European Commission underlined these objectives are not legally binding**, and their enforcement will depend on future bilateral agreements or implementing legislation.

While the White House suggested that the agreement will also include a commitment by the EU to buy more US-made military equipment, **EU officers stressed that nothing has been agreed on arms** so far and that arms procurement is not a matter for the Commission.

The **EU and US will also work to liberalise trade for industrial and agricultural products**, by **eliminating Most-Favoured-Nations tariffs on industrial goods** and **facilitate market access for certain US fishery and non-sensitive agricultural products**, and ease-up nontrade barriers for those sectors (e.g. cooperation on automotive standards and sanitary and phytosanitary measures). The Commission still underlines that sensitive industrial and agricultural products will be protected.

Of note, the White House's press release notes that the two blocs will work to **eliminate barriers for digital trade** (e.g. zero custom duties on electronic transmissions), although the EU has not confirmed this in its factsheet.

Neither the EU nor the US have disclosed the full details of the deal, as the text is yet to be made available publicly.

Reactions to the deal

The deal might not be perceived as a clear-cut win by EU countries. It is not fully reciprocal, and the EU did not try to put up a fight by deploying its "trade bazooka", the Anti-Coercion Instrument, as it threatened. Political reactions across the EU highlight internal divisions and mixed public opinion. European Commission Executive Vice-President for Clean, Just, and Competitive Transition **Teresa Ribera told Spanish Radio that the EU sacrificed its own interest in order to avoid a conflict with the White House**. **German Chancellor Friedrich Merz welcomed the deal**, particularly praising the lower tariffs on cars, together with Romanian PM Ilie Bolojan Slovak PM Robert Fico, and Finnish PM Petteri Orpo. **French President Emmanuel Macron reportedly said that the EU failed to leverage its single market** to push the US towards accepting a more favourable deal for the Union, **while PM François Bayrou** denounced the agreement as a **"submission"**. Hungarian PM **Viktor Orbán** criticised the agreement and referred to von der Leyen as a "featherweight" compared to Trump. Other leaders offered a more cautious position on the deal. Italian PM **Giorgia Meloni called the deal "positive"** but opted to wait until seeing the agreement in full. Other states, such as **Spain, Denmark, Sweden, and Ireland** also expressed **support** for the new deal, **framing it as the "least bad option"**.

Several European trade associations also reacted negatively to the agreement. Notably, the German Association of the Automotive Industry (VDA) welcomed the end of trade tensions between the two blocs, but warned that new tariffs will burden EU manufacturers. The Federation of German Industries defined the deal as an "inadequate compromise" that sends a "disastrous signal". European Chemicals trade association CEFIC expressed concerns that the deal might erode the competitiveness of the European chemical industry, while the European Federation of Pharmaceutical Industries pointed towards the potential negative effects for European patients.

This mixed attitude was also reflected by the stock market – while Wall Street saw gains, **European markets slid into the red** after initial increases on early Monday.

Next steps

The new duties will enter into force on 7 August, as confirmed by an executive order by President Trump from 31 July.

The agreement also needs to be adopted by the EU. Member States Ambassadors countries held their first meeting on the topic on 28 July. While **involving Member States in the process appears as the most likely option** for the adoption of the agreement, intelligence suggests that **the Commission is potentially considering the use of an "autonomous legal instrument"**, which would allow it to adopt the act without going through the lengthy legislative procedure involving Member States and the European Parliament. However, **such a choice risks exposing the Commission to potential legal challenges** to its competence or on the proportionality of the measure from certain Member States or private sectors.

The EU and US were initially expected to put out a **joint statement highlighting the key specifics of the agreement on 1 August**. However, the latest intelligence suggests the statement has been delayed but should be made available over the next few days