

# Trump “steamroller” imposes tariff and trade deal on European Union

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The European Union (EU) and the US administration have reached a deal on trade and tariffs after the European powers backed down in the face of Trump’s threat to impose a 30 percent tariff from the end of the week which would have devastated large sections of European industry.

The character of the deal was summed up in the headline of a *Financial Times* (FT) article, “How the EU succumbed to Trump’s tariff steamroller.”

Under the main terms of the agreement, announced after a meeting between Trump and European Commission president Ursula von der Leyen at Trump’s Turnberry golf resort in Scotland yesterday, the EU will spend hundreds of billions of dollars on US energy products and weapons and be hit with a 15 percent tariff on European exports to the US.

The only “concession” by the US appears to be that exports of Europeans cars would have a 15 percent tariff rather than the 25 percent previously announced.

The sectoral levies of 50 percent on all imports of aluminium and steel would remain and not be reduced to the 15 percent level.

Trump hailed the agreement as “probably the biggest deal ever reached in any capacity, trade or beyond trade.” He said the EU had agreed to spend an additional \$750 billion on US energy products, invest \$600 billion in the US and buy a “vast amount” of US military equipment worth “hundreds of billions of dollars.”

Neither side has released the text of the agreement as has also been the case in earlier deals announced with Japan, the Philippines, Indonesia and Vietnam, and the agreement reached with the UK in May.

Von der Leyen said the “deal creates certainty in uncertain times ... for citizens and businesses on both sides of the Atlantic and the 15 percent tariff would

apply to cars, pharmaceuticals and semi-conductors.”

But far from certainty being created, doubts have already been raised about what exactly has been covered. Trump specifically stated that pharmaceuticals, on which he has proposed to impose a tariff as high as 200 percent, would not be included.

Elaborating further in another news conference, von der Leyen said: “The EU agreed we have 15 percent for pharmaceuticals. Whatever decisions later—by the president of the US—that’s on a different sheet of paper.”

She was referring to the investigation now being conducted by the Trump administration into whether increased tariffs should be imposed on pharmaceuticals and semi-conductors—two crucial areas for the EU—on “national security” grounds.

Von der Leyen, who said the 15 percent was “the best we could get,” indicated that further concessions may be agreed to by the EU as the US would gain better access to the European market and address non-tariff barriers—a reference to regulations against which the US has railed.

According to Trump: “We have the opening up of all of the European countries which I think I could say were essentially closed.” The EU, he declared, had agreed to open up to “trade at zero tariff.”

The “deal” follows years of denunciations of the EU as a parasite on the US, which was ripping it off in some ways “worse than China” because of the US trade deficit with the bloc.

In her remarks Von der Leyen acknowledged that the EU’s goods trade surplus with the US of around €200 billion last year had to be cut and “we have to rebalance it.”

“With this deal we are securing access to our largest export market,” she said, while acknowledging that a

15 percent tariff would be a “challenge for some European industries.”

The alternative, however, was an impost of 30 percent which would have had a major impact across the EU economy, already experiencing very low growth rates.

One of the advantages Trump enjoyed was the lack of agreement in the EU, with some favouring using retaliatory measures while others, apparently in the majority, were in favour of trying to secure the best they could without launching a full-scale trans-Atlantic trade war.

German Chancellor Friedrich Merz said the agreement avoided “an unnecessary escalation in trans-Atlantic trade relations.” A trade war “would have hit Germany’s export-oriented economy hard” and the deal reduced the tariff on German cars to 15 percent.

But Wolfgang Niedermark of the Federation of German Industries told the FT the agreement was “an inadequate compromise” with the EU “accepting painful tariffs.” The 15 percent rate would have a “huge impact on Germany’s export-oriented industry.”

Italy’s prime minister, Giorgia Meloni, was among those seeking to avoid escalating the conflict through the use of retaliatory measures by the EU. Her office issued a statement declaring that the EU participants had worked together to “avoid the trap of those who called for fuelling a head-on clash between the two sides of the Atlantic.”

France was one of those advocating for stronger action including the use of the Anti-Coercion Instrument (ACI) which provides multiple means of hitting back at the US without doing great damage to itself, such as placing restrictions on the activities of US companies.

One of the voices advocating use of the ACI was the FT, which speaks for significant sections of the UK and European corporate and financial establishment. In an editorial published last week on the eve of Sunday’s deal, it said Brussels needed to be ready to unleash its anti-coercion armoury.

“If the EU does not roll out its big guns now, they might as well not exist. Given Trump’s fickleness, the EU will need its trade weapons even if it somehow reaches an eleventh-hour deal.”

The headlines in the financial media said the deal was an agreement to avert trade war. On the contrary, as the

language used by the FT indicates, it is in reality a phase in the intensification of that war.

An article in Bloomberg noted that the measures so far announced by the Trump administration have lifted the US tariff rate to the highest level since the 1930s. They are now six times what they were when Trump took office just six months ago.

And according to an analysis by Bloomberg Economics, the hit to the world economy will reach \$2 trillion by the end of 2027 relative to its pre-trade war path. In conditions where global economic growth was already on a downward trajectory, that spells an intensification of economic and trade conflicts.



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