How EU succumbed to Trump's tariff steamroller

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Journalists

OPINION

US President Donald Trump (L) and European Commission President Ursula von der Leyen
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The sweeping "liberation day" tariffs that the US president had inflicted on most of the world earlier that month had sent financial markets into a tailspin as investors dumped US assets over recession fears. With the sell-off intensifying, Trump blinked and on April 9, dropped the tariffs to 10 per cent, in what he said was a temporary measure.

But Brussels blinked too. On April 10, it suspended its retaliatory tariffs and accepted the US offer of talks with a knife at its throat: 10 per cent tariffs on most of its trade, along with higher levies on steel, aluminium, and vehicles.

Rather than join Canada and China with instant retaliation, the EU — hamstrung by divergent views among its member states — chose to seek a compromise in the hope of securing a better deal.

Under the framework deal struck by European Commission president Ursula von der Leyen and Trump at his Turnberry golf resort on Sunday, the EU has swallowed a broad-based "baseline" US tariff of 15 per cent, including crucially for cars, but not for steel, which will be subject to a quota system.

Relief among policymakers about avoiding an immediate transatlantic trade war was tinged with regret: Could the EU, the world's largest trading bloc and supposedly an economic heavyweight, have extracted better terms had it not pulled its punches early on?

"He's the bully in the schoolyard, and we didn't join others in standing up to him," said one diplomat. "Those who don't hang together get hanged separately."

Georg Riekeles, a former commission official who helped negotiate the UK's exit from the bloc, said the EU's most recent threat to apply €93b of retaliatory tariffs against US goods came far too late.

"With the benefit of hindsight, the EU would have been better off answering the US vigorously in April in a one-two combo with China's retaliation against the US tariff hikes, which left markets and Trump reeling," said Riekeles, now at the European Policy Centre think-tank.

Trump views the EU as a parasite, feeding off the lucrative US market while closing its own through regulation and standards. The US president has said the union was "formed to screw the US" and "nastier than China".

The EU's response to his return to power in January was flat-footed. Months of planning beforehand by a dedicated team, which included senior trade officials led by another Brexit talks veteran Sabine Weyand and von der Leyen's trade adviser Tomas Baert, went up in smoke.

They had drawn up a three-point plan modelled on the approach taken in Trump's first term: offer to reduce the near €200b goods trade deficit by buying more liquefied natural gas, weapons, and agricultural products. Second, offer mutual tariff reductions on each others' goods.

If that failed, they would prepare retaliation and rely on a market response to a possible trade war, or increasing inflation in the US, to force Trump to back down.

But Trump moved faster than expected and by March had levied 25 per cent tariffs on steel, aluminium, and cars.

At a meeting in Luxembourg that month, many trade ministers were on the war path.

Germany, France, and a few others pushed for the commission to consult on using its new "trade bazooka," the anti-coercion instrument. Designed after Trump's first term to counter trade policy being used to pressure governments over other matters, it would allow Brussels to bar US companies from public tenders, revoke intellectual property protection, and restrict imports and exports.

However, it was not clear that a majority of member states agreed with the threatening move, diplomats said. Weyand told EU ambassadors, who met at least weekly to discuss progress, to show "strategic patience".

When the UK struck a trade deal with Washington in May, accepting Trump's 10 per cent baseline tariff, it encouraged those EU member states seeking a settlement, especially Berlin.

Meanwhile, a severe tit-for-tat escalation between the US and China ended in partial détente, easing investor fears of global trade turmoil. Stock markets reached record highs, despite the large tariff increases and continued uncertainty unleashed by Trump.

Italy's prime minister Giorgia Meloni and German chancellor Friedrich Merz for months held on to the EU's early offer to drop all industrial tariffs if the US did the same, even though Washington had long made clear it wanted unilateral concessions. Berlin was preoccupied with obtaining a complicated "offset" scheme to provide tariff relief for European — in practice, German — car companies that manufactured and exported from the US.

While EU technocrats were boxing under Queensberry rules, Trump was in a New York street fight.

Maroš Šefčovič, the EU's avuncular trade commissioner, was dispatched to Washington seven times to propose areas of agreement, deliver homilies on the importance of the transatlantic relationship, and promote Germany's car offset scheme. In total, Šefčovič held more than 100 hours of frustrating talks with his US counterparts.

A deal for a permanent 10 per cent "reciprocal" tariff, hatched in July with US trade representative Jamieson Greer and commerce secretary Howard Lutnick, was flatly rejected by Trump, who instead threatened to raise levies on the EU to 30 per cent, rather than 20 per cent, from August.

And his threats had worked before. The retaliatory package the EU paused in April had been reduced from €26b to €21b after lobbying by France, Ireland, and Italy to ensure bourbon was removed from the list, after Trump threatened to hit European distillers in return. If everything member states requested had been removed, only €9b of goods would have been left on the list, officials told the Financial Times.

Over the months of talks, Šefčovič's phone rang regularly with ministers urging caution. Simon Harris, the trade minister of Ireland, was a frequent caller. He wanted to save the country's pharmaceutical, spirits, and beef industry from any US counterpunch and let the world — not least the Americans — know with frequent social media posts. Business leaders also called loudly for restraint, preferring to accept a cut to profit margins than risk punitive tariffs that would hit sales.

US President Donald Trump (C-R) meets with European Commission President Ursula von der Leyen (C-L) on July 27, 2025, at his golf resort in Turnberry, Scotland, after the two leaders agreed to a trade deal.
BRENDAN SMIALOWSKI/AFP

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A second package of retaliatory tariffs on the US was also cut to €72b before finally being approved on July 24 to be used if talks collapsed, bringing the total to €93b.

The months-long uncertainty over the direction of negotiations has also exposed divisions inside the commission itself. Weyand, the steely expert whose hardball approach to Brexit often outfoxed her UK counterparts, has consistently argued for a stronger stance towards Trump and the use of the EU's retaliation tools, in opposition to the more dovish von der Leyen, multiple diplomats and officials told the FT.

The French government, notwithstanding its attempts to shield French business from retaliation, has also repeatedly called for a more muscular commission approach to Trump's tariffs.

But the commission president and her close aides argued that the potential damage from additional Trump measures — including threats to impose specific tariffs on critical sectors such as EU pharmaceuticals — meant the risk of a spiralling trade war was too great.

There was also concern that a more confrontational stance towards Washington could spill over into other areas.

Europe's dependency on America's security guarantee was a further argument against trade confrontation, especially for the bloc's eastern and northern members. Fears that Trump would cut off weapons supplies to Ukraine, pull troops out of Europe, or even quit NATO overshadowed the talks, diplomats said.

A further priority for the commission president was to preserve the EU's right to regulate. The US tech industry has pushed hard for Trump to pressure the EU to weaken laws regulating online speech and data management. They also opposed national digital taxes. So far, von der Leyen has refused to compromise on those issues.

"Some in the commission's trade directorate viewed this as a classical trade dispute and were pushing for retaliation, but von der Leyen had to consider the bigger picture, which drove her caution and risk aversion," said Mujtaba Rahman, Europe managing director at Eurasia Group, the risk consultancy.

After Trump rebuffed the deal hatched by his own officials, the commission's negotiating team concluded they had no option but to accept a US tariff of 15 per cent. They pitched the number to member state ambassadors last week.

Officials will try to present it as a status quo deal, since the 15 per cent theoretically includes the pre-existing average US tariff of 4.8 per cent. In fact, on a trade-weighted basis, the pre-existing US tariff on imports from the EU was only 1.6 per cent.

There is no hiding the fact the EU was rolled over by the Trump juggernaut, said one ambassador. "Trump worked out exactly where our pain threshold is."

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