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Trump Secures Global Trade Wins, But Economic Risks Persist

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President Donald Trump is achieving significant leverage in reshaping global trade on terms more favorable to the United States. A wave of new trade frameworks with countries including the European Union (EU), Japan, and others marks a decisive shift toward protectionist policies that Trump has championed for decades. While these developments are being celebrated by the administration as wins, concerns remain about long-term economic impacts and the sustainability of such strategies.

In a prominent announcement, the United States and the EU confirmed a framework under which the EU will accept a 15% tariff on most of its exports to the U.S., in return for an EU commitment to purchase about $750 billion in U.S. energy over three years and to invest roughly $600 billion in the U.S. economy through 2028. President Trump called it "the biggest deal ever made."

This EU framework follows a comparable agreement with Japan, in which Japan agreed to a 15% tariff and a $550 billion U.S.-bound investment package, largely structured through loans and guarantees. Reporting suggests details remain limited, and some commitments have not been publicly documented.

The administration's approach has relied heavily on tariffs, a form of import tax, as both a negotiation tactic and revenue generator. U.S. tariff rates are approaching levels not seen since the early 1930s, when the Smoot—Hawley tariffs were enacted, as the current average has risen from about 2.5% earlier this year to roughly 17.5%, and the resulting billions in revenue are helping to offset prior tax cuts. However, several economists warn that these tariffs are likely to increase costs for American consumers and reduce economic efficiency.

Daniel Hornung, a former White House official under the Biden administration, cautioned that while recent trade developments may offer short—term stability, the elevated tariff baseline could impose a "meaningful drag on growth." Financial institutions, including Morgan Stanley, predict slow growth and steady inflation, but stop short of forecasting a recession.

Notably, the deals have yet to address trade relations with China, which remains a significant player in global supply chains. China has threatened countermeasures and restricted exports of rare earth minerals, a key input for electronics and renewable energy sectors, while negotiations with Beijing continue in Stockholm.

Ongoing legal challenges are examining the administration's use of national emergency powers to justify broad tariff authority. A federal court struck down some tariffs in May, but an appeals court has temporarily allowed them to remain, with hearings pending.

Economists remain divided. Eswar Prasad of Cornell University called the deals a "qualified win," though he noted that projected foreign investments may not materialize as robustly as claimed. Moody's Analytics chief economist Mark Zandi warned that the effective U.S. tariff rate has risen to about 17.5%, up from around 2.5% earlier in 2025, indicating rising cost pressures, up from 2.5% earlier this year, signaling rising economic pressure.

Mary Lovely of the Peterson Institute for International Economics highlighted longer-term costs, particularly for U.S. manufacturers now navigating varying tariff rates by country. This complexity, she warned, could lead to slower productivity and rising administrative burdens for American firms.

While the White House touts the success of its aggressive trade overhaul, the economic payoff is not yet certain. As initial stockpiles of foreign goods dwindle and new tariff rates begin to take full effect, the ultimate impact on prices, growth, and U.S. competitiveness will come into sharper focus in the months ahead.