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EU and US Strike Agreement to Cut Tariffs and Relieve Trade Tensions

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The European Union and the United States have reached a political agreement designed to stabilise trade relations and reinforce transatlantic supply chains. The deal, announced during a July 27 meeting in Algiers between European Commission President Ursula von der Leyen and US President Donald Trump, establishes a framework for deeper economic cooperation.

Under the terms, the US will impose a uniform tariff ceiling of 15 percent on nearly all EU exports starting August 1, averting a threatened hike to 30 percent. This flat rate replaces much higher tariffs, especially on cars and vehicle parts, which previously faced combined duties of up to 27.5 percent. If the US most-favoured-nation (MFN) tariff exceeds 15 percent, that higher rate will apply without additional duties.

Strategic EU sectors, including aerospace, certain chemicals, generics, and semiconductors, will see tariffs rolled back to pre—2025 levels. Both sides also agreed to continue negotiations to enlarge the list of exemptions. Metal tariffs on steel, aluminum, and copper, currently at 50 percent, will be replaced with more predictable tariff-rate quotas addressing overcapacity.

In return, the EU will purchase approximately $750 billion of US energy products, such as liquefied natural gas, oil, and nuclear fuel, over three years, while committing $600 billion in business investment in the US by 2029. The bloc will eliminate minor tariffs on selected industrial goods and increase market access for US products, including aquatic produce and processed food under quota systems.

The deal also advances regulatory collaboration, with both sides agreeing to harmonize pharmaceutical and automotive standards, simplify conformity assessments in select sectors, and coordinate on export controls and investment screening.

Despite these advances, the agreement has faced criticism from European officials. French leaders called it “unbalanced”, and analysts warned it undermines the EU’s rules-based trade principles. Germany advocated for stronger negotiating stances in future tariff discussions, particularly on steel quotas.

Market reactions were mixed. While some business groups welcomed the deal as preferable to a full tariff escalation, investor confidence in the EU weakened, especially in

Germany and Switzerland. Analysts caution that the deal's non-binding nature may limit durable economic benefits.

Though framed as a political accord rather than a binding treaty, the arrangement promises short-term stability while highlighting unresolved gaps in tariff details and enforcement. Full implementation will hinge on follow-up negotiations and formal ratification.