

Brussels faces prospect of worse tariff deal than UK

EU is not expecting same access to US market as British steel, cars and other products

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ANDY BOUNDS — BRUSSELS GEORGE PARKER AND PETER FOSTER LONDON

EU negotiators are closing in on a trade deal with Donald Trump that would cement higher tariffs than those granted to the UK, a Brexit dividend that has rattled some European capitals.

Brussels is ready to sign a temporary “framework” agreement that sets the US president’s “reciprocal” tariffs at 10 per cent while talks continue, matching the baseline duty imposed on the UK.

But the EU is not expecting to achieve the same access to the US market as British steel, cars and other products subject to sectoral duties, according to six diplomats briefed on the issue. Trump, who championed the UK’s 2016 decision to leave the bloc, is also demanding 17 per cent tariffs on EU agrifood products.

“The UK agreement was better than this,” said one diplomat. “It is a surprise, given how long we have negotiated.”

When London struck the first deal in May, EU diplomats and officials made clear they believed London jumped at an agreement and locked in disadvantageous terms.

Brussels was more confident its bigger economic clout — as the world’s largest trading bloc — would over time give it leverage over the White House. But it has hesitated to retaliate in kind against US measures. Anna Cavazzini, chair of the European parliament’s internal market committee, said: “Not directly responding to illegal Trump tariffs in April was a mistake, leaving little room for the [European] commission to cut down existing rates.”

Sir Keir Starmer, UK prime minister, by contrast, gambled on moving early on a deal and paired his business adviser, Varun Chandra, with US commerce secretary Howard Lutnick to push talks forward. One British official said: “We approached it like a business deal not a trade negotiation. We have played it straight, understood what the US is trying to achieve, matched our people to theirs and been flexible.”

Bernard Arnault, LVMH chief executive, in May said the bloc got off to a “bad start”, especially compared with the British, who “negotiated very well”. Friedrich Merz, Germany’s chancellor, last week said the commission’s approach was “far too complicated” and called for a “rapid” deal. Talks between the EU and US are continuing, but both sides expect an agreement this week.

Without a deal, tariffs on the EU would rise to either 20 per cent or 50 per cent on August 1, after Trump postponed yesterday’s deadline. One diplomat said reducing it to 10 was a

success.

Merz yesterday said talks were “not easy”, given US demands but he remained “cautiously optimistic” of a breakthrough this week, or by the end of the month at the latest.

The UK, which runs a trade deficit with the US, faced the 10 per cent baseline tariff and failed to reduce it. But London secured better terms on the “sectoral” tariffs.

The UK was granted an annual quota of 100,000 cars at a 10 per cent tariff — a discount from the 25 per cent levy facing other exporters to the US — and a zerotariff deal on steel and aluminium, although this has still to be implemented. British negotiators also won the promise of “significantly preferential” treatment on “section 232” tariffs on pharmaceuticals, an investigation the White House is pursuing.

The UK also obtained assurances regarding future 232 investigations into other sectors, which include copper, timber and jet engines.

In return, the UK pledged to meet US “requirements” on China’s role in its supply chains, as well as a tariff-free quota of 13,000 tonnes of beef and 1.4bn litres of bioethanol.

The EU had no guarantees tariffs on steel would be cut from their 50 per cent level, the diplomats said. The US has also declined to exempt the bloc from future sectoral tariffs in areas such as pharmaceuticals and semiconductors.

The two sides are working on plans to reduce the 25 per cent tariff on vehicles and are considering an agreement to abolish levies on spirits, aircraft and parts. The EU is also prepared to reduce its €198bn trade surplus in goods by committing to buying more US weapons and liquefied natural gas.

David Henig of the European Centre for International Political Economy think-tank said the EU had a harder task despite its bigger size.

“Considering the things Trump has said about the EU, a 10 per cent tariff would probably be better than some were expecting, but this is still a blow to a bloc that started the process thinking they could remove all Trump’s tariffs, and that the UK had made a mistake in settling.”

The commission did not respond to a request for comment.