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The EU can stand up to Washington

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The U.S. is more reliant on European goods than many believe

Following the handshake deal between the EU and the U.S. on a Scottish golf course in late July, the European Commission faced a flood of criticism: Capitulation! Humiliation! Dictated peace! (see Fig. 1). Those reactions are understandable, but let's remain fair: Commission President Ursula von der Leyen had anything but an easy task.

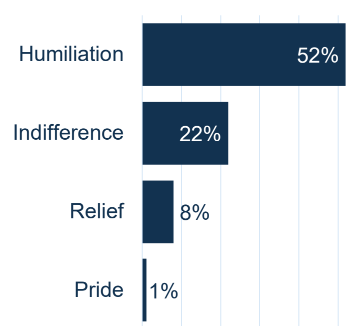
The EU member states were – and this is, sadly, no surprise – divided once again over what course the EU should take. Particularly the governments of export-dependent economies like Germany and Italy were eager to avoid escalation at nearly any cost. Meanwhile, Paris and Madrid advocated for a more robust response. In the end, the Commission tried to square the circle and actually did so quite cleverly: the EU made hollow promises to the U.S. President, pledging to import $750 billion worth of energy from the U.S. and to invest $600 billion directly in the U.S.-economy. This allowed Donald Trump to boast to his supporters back home and – once more – present himself as the ultimate winner. He even claimed he could now hand-pick which European investments would be made in America. I wonder whether European entrepreneurs second that emotion.

The EU-U.S. trade deal is full of misunderstandings

It didn't take long for it to become clear that Washington and Brussels had very different interpretations of what was agreed in Scotland. That is unsurprising. Stable trade agreements are typically hammered out over extended periods, sometimes years, with technocrats negotiating every last detail. They don't come overnight.

Dissatisfaction in the EU over trade agreement

Fig. 1: Which sentiment do you feel when thinking about the EU-US-trade deal?



Source: Le Grand Continent, LBBW-Research
Note: Survey conducted in early September 2025, 5,302 respondents across five EU countries, excluding 'Other' responses.

Washington, for instance, believed the EU had lowered its food safety standards for meat and dairy products, paving the way for easier imports from the U.S. Brussels, on the other hand, was taken aback by this interpretation and merely stated that it was open to streamlining sanitary certificates (essentially forms). Trump also assumed that the EU would relax regulations on digital services – something that, according to the Commission, wasn't even discussed. Unsurprisingly, the White House reacted by threatening new tariffs after the EU Commission imposed a fine of nearly €3 billion against Google over abusive practices in online advertising technology. In mid-August, Trump had already extended U.S. tariffs on steel and aluminum to include products containing those metals. Spare a thought for the customs officers in the U.S., now tasked with determining whether the declared value of the metal components in finished products is accurate or not.

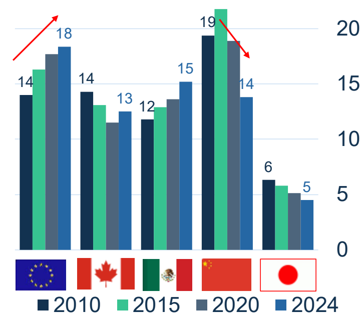
Many questions remain open

Europe is no underdog in trade negotiations

Given the ongoing transatlantic tensions, it's very likely that there will soon be another round of high-level negotiations on trade relations. And it's understandable that many observers might assume Europe sits at a disadvantage. After all, while Europe depends heavily on its open economy, U.S. exports account for little more than 10% of American GDP. And, of course, European companies export more to the U.S. than vice versa.

However, as a new study from the German Economic Institute (IW) shows, the EU is far from a helpless pawn at the mercy of the MAGA administration. Both sides are deeply interdependent. Today, the EU ranks as the United States' largest source of imports – surpassing China, as well as its neighbors Mexico and Canada (see Fig. 2). The United States imports an array of products from the EU that cannot easily be substituted.

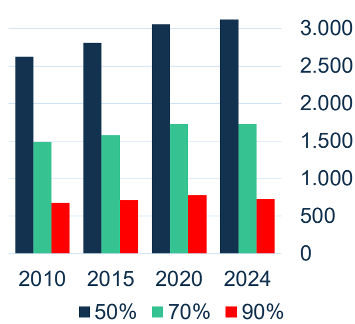
Fig. 2: Share of total U.S. imports (in %)



Source: IW, LBBW Research

According to IW researchers Samina Sultan and Jürgen Matthes, the number of goods categories where more than 50% of imports are of European origin has grown significantly over time (see Fig. 3), reaching $287 billion last year. U.S. companies are particularly reliant on EU imports in sectors like chemicals, machinery, and electrical equipment. Even strategically important defense-related products are on the list of U.S. import dependencies.

Fig. 3: US-import dependency from EU Product groups with a minimum of xx% US-import share from the EU



Source: IW, LBBW Research, Note: out of a total 1,780 product categories.

Additionally, as Washington has been deliberately working to reduce its dependence on China for years, its reliance on imports from Europe has increased as a result (see Fig. 2). U.S. exports to Europe have become a critical – and growing – part of American value chains and are in some cases even strategically indispensable. If renegotiations on transatlantic trade resume – and I fully expect they will – the EU should not sell itself short and become more assertive. The EU's economic strength makes it an equal partner to the U.S. – and it's time to act like one!

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