THE EU TRADE DEAL: PLAYING FOR TIME

Yesterday, Trump invited Ursula Von der Leyen for a lecture on windmills and a big announcement of a trade deal.

In theory and as laid out, Trump used threats of 30% tariffs to get the EU to capitulate to his demands, accepting 15% tariffs on goods exported to the United States rather than the 10% he was proposing weeks ago, before the Ghost of Jeffrey Epstein made him feel weak.

> "The golf was beautiful," Trump told reporters. "Even though I own it, it's probably the best course in the world. And I look over the horizon and I see nine windmills at the end of the 18th. I say, isn't that a shame?"
>
> Trump said the EU will agree to purchase $750 billion of energy. It will also agree to invest $600 billion more than planned in the U.S.
>
> Von der Leyen said **the 15 percent tariff rate would be a ceiling**, with the same rate applying to cars, pharmaceuticals and semiconductors. **The tariff treatment for alcoholic drinks has still to be worked out.**
>
> Europe would replace Russian gas with purchases of energy from the U.S. with purchases of $250 billion per year for the rest of Trump's term, she added. [my emphasis]

While no one seems to be addressing this, the EU reportedly did not budge on EU regulations on tech, one of the things Trump had been pushing for.

US consumers will be taxed on EU goods — with some carveouts. But EU consumers won't be taxed on US goods (which are already cheaper because

Trump is destroying the dollar).

In theory, this creates the same perverse incentive structure as the Japanese deal did, in which Japanese companies pay a lower tariff, 15%, on cars than US producers pay for inputs, 50%. In theory, the Japanese deal could lead Toyota and Honda to move jobs out of the United States. The EU doesn't have that kind of brand impact in the US, however, meaning Volkswagen is badly hit by the tariffs but not in a strong enough position to simply revert production to Germany (or some place cheaper in the EU).

The tariffs will impose some of the biggest costs on Ireland, since it exports a lot of pharmaceuticals to the US (and that production may be one of the easier things to return to US production). Meanwhile, goods exported from Northern Ireland face a 5% lower tariff.

Meanwhile, France's Prime Minister is already condemning the deal.

> France called a framework trade deal between the United States and European Union a "dark day" for Europe, saying the bloc had caved in to U.S. President Donald Trump with an unbalanced deal that slaps a headline 15% tariff on EU goods while sparing U.S. imports from any immediate European retaliation.
>
> The criticism from Prime Minister Francois Bayrou followed months of French calls for EU negotiators to take a tougher stance against Trump by threatening reciprocal measures – a position that contrasted with the more conciliatory approaches of Germany and Italy.
>
> "It is a dark day when an alliance of free peoples, brought together to affirm their common values and to defend their common interests, resigns itself to submission," Bayrou wrote on X of what he called the "von der Leyen-Trump deal".

I can’t help but think that this deal is just a holding pattern. After all, Trump plans to discuss with Keir Starmer today the deal he made with the UK back and May and was signed back in June. Every other deal he has “made” has led immediately to a dispute about what the countries really agreed to. Deals don’t actually get finalized for months after the deal. And Van der Leyen is kidding herself if you think Trump will be locked in to anything.

Meanwhile, as noted above, there’s no deal yet on how much Trump will tax French wines and other fancy European booze.

That’s notable given that Trump’s appeal of lower court rulings that his tariffs are unlawful, in part, because they’re so arbitrary and capricious will be Thursday at 10AM. And the lead plaintiff in that case is a wine importer, still looking for clarity on how much they’ll pay to import wines from, among other places, Austria, Italy, Greece, Spain, France, Germany, Croatia, and Hungary, over a 100 days after suing.

> Plaintiff V.O.S. Selections, Inc. is a 39-year-old New York-based business, founded by Victor Owen Schwartz, that specializes in the importation and distribution of small-production wines, spirits, and sakes from six continents. V.O.S. Selections has made and makes significant direct purchases of wines, spirits, and sakes from Austria, Italy, Greece, Lebanon, Morocco, Spain, France, Portugal, Mexico, Argentina, Germany, Croatia, Hungary, and South Africa. The products it imports are not reasonably available from a producer in the United States.

If the Circuit Court of Appeals upholds (or preferably, improves) the lower court ruling, then this whole process will be thrown back into chaos until SCOTUS tells us whether their expansive view of the presidency extends to roiling international trade agreements every time he gets grumpy about a sex trafficking scandal.