

## PRESS RELEASE

## A new world trade order: How the EU should respond to US tariff policy

**Paris/ Berlin, 13.05.2025** – In a joint statement by the Conseil d'analyse économique (CAE) and the Franco-German Council of Economic Experts (FGCEE) discusses possible reactions by the European Union (EU) to US tariffs. The European Union must adopt a leadership role in defending the global trade order and its international trade rules. This requires taking a strong position and being ready to fight – when needed – against tariffs that put global trade and the world economy at risk.

The more the global economy (despite the US tariffs) remains open, the lower the economic costs will be for the EU and for the rest of the world. It is essential for the EU to support European companies by helping them to find new export markets with other trading partners. The EU should use the ninety-day moratorium to sign the EU-Mercosur agreement and to pursue new trade agreements with other countries. At the same time, it must prepare decisive countermeasures in the event that the US administration reinstates the announced and currently suspended reciprocal tariffs.

In the statement, the team of authors considers two scenarios. Firstly, the general increase in tariffs by 10 percentage points for all countries and the sector-specific tariffs on automobiles, steel and aluminium. Secondly, the currently suspended, country-specific so-called 'reciprocal tariffs' announced on 'Liberation Day'.

It is very likely, that the general 10 pp tariff increase is permanent. The economic impact of these tariffs is more significant for the USA than for the EU: The estimated decline in real production for the USA lies between 1 and 1.63 % of real production, according to projections by the team of authors. In contrast, the impact of the tariff increase of 10 percentage points on the EU countries is estimated to be relatively low at around 0.15 % of GDP.

In the scenario of the 'Liberation Day' tariffs, the decline in real production is more significant due to higher tariffs and amounts to of between 0.22 and 0.33 per cent in the EU. The Trump administration is using this tariff threat as a means of exerting pressure to obtain concessions from its trading partners.

The EU should announce potential retaliation if more comprehensive 'reciprocal' tariffs on all goods were again to come into force. In negotiations with the Trump administration, the EU should not offer concessions unless they are met by equivalent concessions by the US. The EU's offer of zero tariffs on all industrial goods should stay on the table.

The EU has so far offered to reduce tariffs on all industrial goods to zero. This offer should remain on the table. However, the EU should respond to the threat of reinstating 'reciprocal tariffs' after the 90-day moratorium by announcing potential retaliation. In order to prepare for these - and make them superfluous - the given time should be utilised for negotiations while suitable measures are being prepared, such as restricting access to the EU

market, regulatory measures in the digital services sector or counter tariffs on selected products.

Authors of the joint statement are: Antoine Bouët (Cepii), Xavier Jaravel, Isabelle Méjean (CAE), Ulrike Malmendier, Monika Schnitzer, Achim Truger and Martin Werding (GCEE) sowie Julian Hinz, Moritz Schularick (Kiel institute).

The Franco-German Council of Economic Experts is a permanent, bilateral body that was established on the basis of the Treaty of Aachen. It is independent and tasked with making policy recommendations on economic issues in which both countries have shared interests. The Council of Experts reports to the Franco-German Financial and Economic Council, which consists of both countries' Ministers of Finance and Economic Affairs and the Heads of the two central banks. The co-chair of the advisory body on the German side is the chair of the German Council of Economic Experts, Monika Schnitzer.

The co-chairs can each appoint up to four additional scientists to the FGCEE for the German and French sides, respectively. The activity for the advisory board is a personal honorary office.

**Press contact:**

**Hélène Spoladore**

Conseil d'analyse économique (CAE)

Phone: 01 42 75 77 47

[helene.spoladore@cae-eco.fr](mailto:helene.spoladore@cae-eco.fr)

**Nadine Winkelhaus**

German Council of Economic Experts (GCEE)

Phone: +49 611 75-3110

[presse@svr-wirtschaft.de](mailto:presse@svr-wirtschaft.de)