

# EU-US trade deal: Yes to de-escalation – No to a one-way street

## Preliminary ZVEI assessment

- The ZVEI supports de-escalation and predictability – but tariff relief must not be permanently unilateral (sunset clause). The electro and digital industry needs clear concessions, targeted exemptions, an emergency brake, and a review in six months. In particular, we advocate permanent, chapter-by-chapter tariff exemptions, especially for HS chapters 85 (electrical/electronic) and 90 (measurement, testing, medical technology).

## Impact of the "reciprocal" 15 percent tariff rate on EU exports to the US on the German electro and digital industry

- Principle: All products manufactured by ZVEI member companies are now subject to a 15 percent tariff when exported to the US. The extent to which this also applies to semiconductors/equipment is currently being examined, also with regard to the ongoing Section 232 investigation.
- Expected effect: Based on relevant general economic experience, the ZVEI expects that the "reciprocal" 15 percent tariff alone could lead to a **decline in German electro exports to the US of around 20 percent**, thereby reducing industry production in Germany by around one percent.
- Development: The declines that have been observed since **Liberation Day** (but manageable so far) are likely to increase accordingly. The decisive factor is substitutability, which will lead to **varying degrees of impact** depending on the product and company. However, further restrictions are to be feared.

## 50 percent tariff surcharge on steel, aluminum, and copper ("derivatives")

- Expansion: Electro products containing steel, aluminum, and copper products ("derivatives"), such as cables or electric motors, are likely to be **significantly more affected**, as these lists were expanded in July and August to include a total of over 100 tariff numbers for the electrical and digital industry.
- These imports must be cleared through customs at the higher tariff surcharge of 50 percent based on their value.
- **Preliminary calculation example:** An electro product contains 30 percent steel. The non-steel portion (70%) is subject to 15 percent duty, while the steel portion is subject to 50 percent plus the MFN duty rate of 2.6 percent. This results in an effective mixed duty rate of 26.28 percent ( $0.7 \times 15\% + 0.3 \times 52.6\%$ ). As a result, the level of customs duties for corresponding tariff numbers can vary greatly and does not remain at the 15 percent level of the trade deal. This results in a highly individual impact on different companies.
- Impact: According to initial estimates, **around ten percent of the products of ZVEI member companies are affected by the new customs duties** (compared to approximately 30 percent in mechanical engineering).
- According to initial ZVEI estimates, the electro and digital industry will get off **relatively lightly** with these additional derivative tariffs. This affects a wide range of products, including electric motors, generators, transformers, cables, switch cabinets, relays, and electrical household appliances.
- **Risk: High administrative costs**, especially for small and medium-sized enterprises. There is also a risk of further unilateral extensions to the lists.

## Our demands

- **Establishing reliability:** Stability was promised, but instead high uncertainty remains: the extension of the 50 percent tariff rate to derivatives is, at the very least, an **unfriendly act** and fundamentally calls into question the reliability of the agreements that have been reached.
- Political line: **De-escalation, predictability, and balance** in transatlantic trade relations remain central. **To this end, the EP and the Council must first approve the two legislative proposals submitted by the Commission in order to achieve significant US concessions in further negotiations in a second step.** To this end, the German government must clearly support the EU Commission and push for a united and strong position among the EU member states.
- **Review within 6 months:**
  - **Abolish customs asymmetry via sunset clause** and remove the "15 percent tariff one-way street"
  - Achieve permanent, chapter-by-chapter tariff exemptions, in particular for HS chapters 85 (electrical/electronic) and 90 (measuring, testing, medical technology)
  - Minimum goal: achieve sustainable exemptions in certain critical product categories
  - General **exemption of EU industry from derivative tariffs**
  - **Emergency brake:** If agreements are not complied with, take swift countermeasures or revoke customs concessions
- Open global trade: The sometimes arbitrary customs measures imposed by the US are a major burden on the global division of labor and thus on value creation. They cause uncertainty, increase costs, and slow down global trade. The European Union must strive for further stabilization, increase its own resilience, and lead a global alliance of the willing for rule-based and liberal global trade.
- **Strengthen the EU as a business location and partner:** The EU single market must finally be completed by removing internal barriers. Similarly, EU trade relations urgently need to be further diversified (through free trade agreements such as the EU-Mercosur Agreement and other types of agreements (e.g., CTIPs (Clean Trade and Investment Partnerships), regional agreements, or resilient supply chain agreements).

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