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Economic Briefing

Next round of US tariffs

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Germany and the EU face the threat of additional tariffs on exports to the USA after the US Trade Representative has presented the results of his investigation into structural overcapacity among 14 US trading partners. For many goods from the European Union, this threatens a tariff increase from the current 10% to 15%. This could further slow down Germany's exports to the USA. We provide an overview of the new tariffs and their effects.

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Once again, the US Trade Representative sees "unfair" practices...

The US government under Donald Trump is making a new attempt to impose higher tariffs. After tariffs based on the International Emergency Economic Powers Act were declared invalid by the Supreme Court in the spring, the US government had already imposed additional tariffs on a number of countries in July due to insufficient efforts to combat forced labor. Since these tariffs are also being legally challenged, the Office of the Trade Representative is now following up: Based on Section 301 of the 1974 Trade Act, the Office has investigated structural overcapacity of 14 US trading partners —and has determined that that actions of trading partners leading to overcapacity are “unreasonable” and “burden or restrict U.S. commerce”. Among the investigated countries or regions are many of the USA's most important trading partners: China, the EU, Japan, and South Korea. Investigations against Mexico and Norway are still ongoing, and Trade Commissioner Jamieson Greer has not yet issued a recommendation.

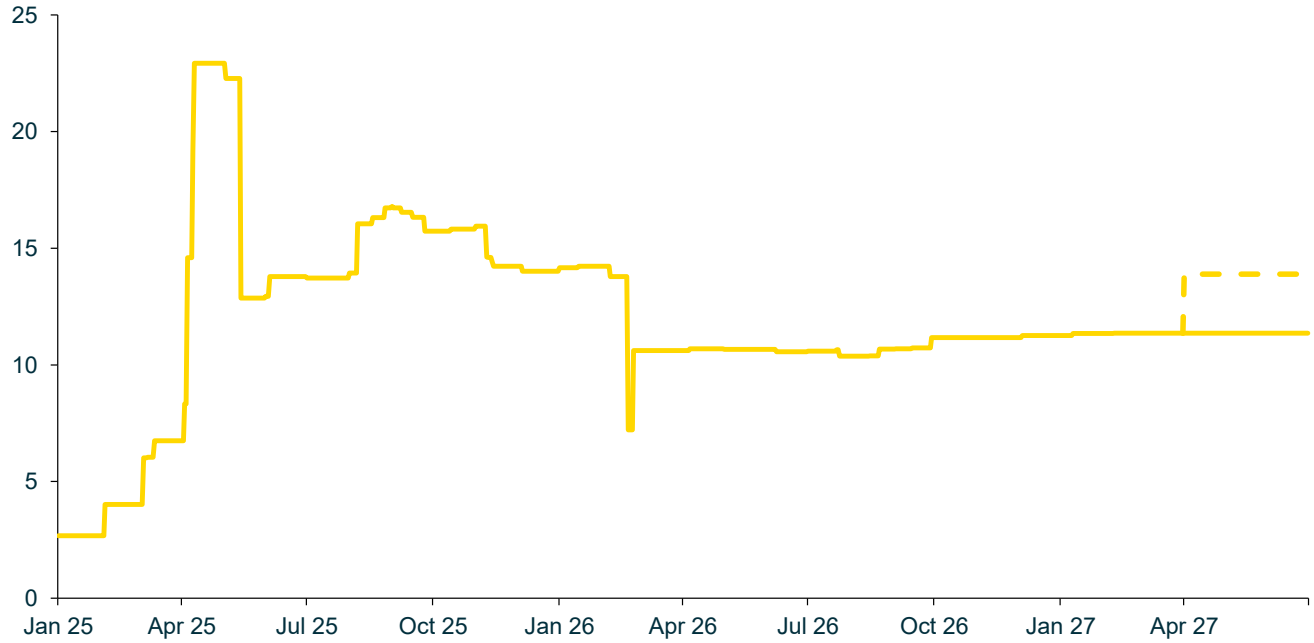
In the case of the EU, "unreasonable actions, policies, and practices" include, among other things, high export credits for companies, market access barriers, and preferential lending to certain manufacturing sectors. The US ultimately accuses Europeans of precisely the industrial policy that the Trump administration set in motion for its own country. After all, reviving US industry is a central Trump project—and tariffs are a preferred instrument to strengthen the US location.

... and recommends higher tariffs

Based on his research, Greer recommended that the president impose higher tariffs. Overall, according to estimates by the research institute BudgetLab, the average tariff rate would increase from the current 11.4% to 13.9% (Chart 1).

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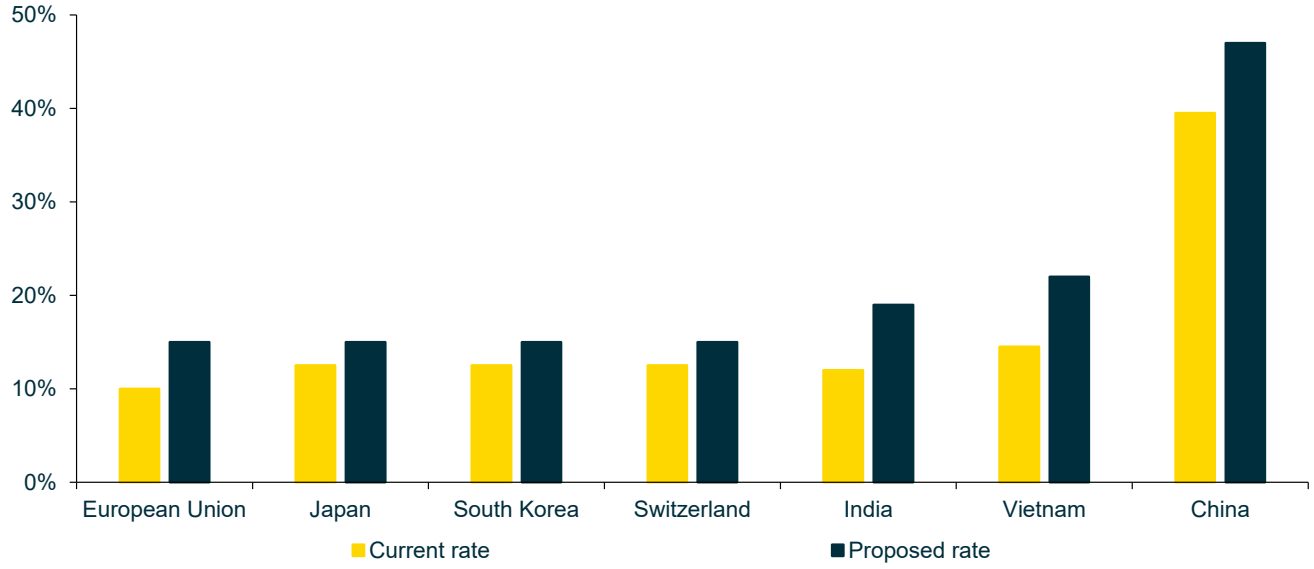
Chart 1 - Higher tariff rates are looming in 2027
Import-weighted average US statutory tariff rate, in %. Dotted line: assumes that proposed excess capacity tariffs start 1 April 2027



Source: Budget Lab, Commerzbank Research
For the EU, the new tariffs amount to 15%, a significant increase from the current 10% (Chart 2). Already imposed sectoral tariffs, for example on imports of steel, aluminum, or cars, remain unaffected.

With a tariff rate of 15% on other imports, the USA would fully exploit the 15% tariff cap agreed in the Turnberry Agreement for imports from the EU.

Chart 2 - The tariffs rise again
US tariffs on applicable goods; Assumption: 2% weighted MFN-tariff



Source: Office of the United States Trade Representative, Commerzbank-Research
For major Asian economies such as China, India, and Vietnam, the tariff is rising even more sharply. If the Trade Representative finds that partner countries are not cooperating satisfactorily, the documents presented yesterday even recommend an even higher tariff rate (for example, 20% compared to the EU, see table).

Table 1 - US trade representative's tariff proposals
Proposed tariffs following section 301 investigations relating to structural excess capacity and production in manufacturing sectors

Country/region	propose tariff rate	maximum rate
China	20%	40%
EU	15%	20%
Japan	15%	20%
Switzerland	15%	20%
South Korea	15%	25%

Source: USTR, Bloomberg, Commerzbank Research

... which concerns about 40% of German exports to the USA

However, these tariffs do not apply to all goods, but only to a selection. Our analysis shows that about 40% of German exports to the USA could be affected by the tariff increase from 10% to 15%.

Affected goods: The most important categories from a German perspective are undoubtedly mechanical engineering and optical instruments. But plastics, ships, processed food, clothing, and furniture are also affected.

Unaffected goods: Many products in the fields of electronics, aviation technology, and certain medicines are explicitly excluded from the new duty. In addition, the new duty does not apply to goods that are already affected by a sector-specific duty. This includes goods such as steel and aluminum, as well as cars and car parts important for Germany.

The new tariffs are not expected to cause damage until next year

Until January 5, affected or interested persons have the opportunity to submit written comments on the proposals. A hearing on the Trade Representative's proposals is scheduled for January 25. Any new duties will only be imposed after this date.

If the new tariffs are then implemented, they would further slow down European exports to the USA. Already this year, EU exports to the USA have fallen compared to 2024 due to existing tariffs. The now threatened five percentage point increase in tariffs is likely to further slow exports of affected goods. This negative effect is thus part of a series of negative tariff effects. For the German economy, exporting goods to the USA, which is still the most important single importer of German goods, is becoming increasingly difficult. This dampens hopes for a rapid revival of German foreign trade, especially since exports to China are already in decline.

How is the EU responding?

In the Turnberry Agreement, the EU reduced tariffs on imports of most industrial goods from the USA to zero and agreed to reduced tariffs on certain agricultural imports. This agreement is initially valid until December 31, 2029. However, the EU has secured itself with a safeguard mechanism in case of US violations of this agreement, for example in the form of new tariffs. It can then suspend the agreement. It also has legal means to impose retaliatory tariffs.

The risk of countermeasures is that they trigger an escalation spiral that could cause even greater damage. However, the EU has apparently should have learned that giving in when dealing with Trump is not always the best strategy. In any case, talks and negotiations are to be expected in the coming weeks.

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