



By: Joseph E. Stiglitz

The EU has the economic strength to withstand Trump's tariffs



On July 27, 2025, the United States and the European Union **announced** a preliminary trade and investment deal in Turnberry, Scotland. But nothing was actually signed, and even if it had been, it would not have been worth the paper it was written on.

After all, US President Donald Trump did sign a formal trade agreement with Canada and Mexico during his first term, only to tear it up as soon as he returned to office.

Any agreement with Trump therefore must be regarded as, at best, a temporary truce. It will hold only until America's capricious leader sees or hears someone or something that makes a new whim official policy.

Still, it is worth remembering the specifics of the Turnberry deal, because some were quite peculiar.

Given that Europe has 30% more people and only a slightly smaller **economy** (in purchasing power terms) than the US, standard bargaining theory would imply that any deal would be roughly symmetrical. Instead, it was entirely one-sided.

In addition to the US imposing unfair tariffs on European imports, Europe committed itself to **investing** in the US and purchasing US energy.

Europe is not a centrally planned economy

But, of course, the EU can promise no such thing. As I have jokingly pointed out to EU trade negotiators, Europe is not (yet) a centrally planned economy.

The EU cannot force Europeans to make specific investments or purchases; the Turnberry numbers were offered merely to placate Trump, allowing him to boast that he had used America's power to claim another scalp and extract more of the value from global supply chains.

Who cares if international law was trampled?

That is simply what great powers do. Just look at Russia, with its war of conquest against a peaceful neighbor.

As I expected, the cease-fire did not last. Less than a month later, Trump was back to **threatening** Europe, this time over its Digital Markets **Act**, which seeks to ensure market competition, and the Digital Services Act, which aims to mitigate harms imposed on Europe by digital platforms.

Contrary to what Trump seems to think, these regulations are not discriminatory against the US and its tech giants

Among other things, the EU requires some "content moderation" to prevent the kind of algorithmic amplification of incitement to violence and misinformation that had such disastrous consequences in Myanmar, and it insists on taxing big technology companies (which have deployed their brilliant minds not only to hook users but also to avoid taxes).

Contrary to what Trump seems to think, these regulations are not discriminatory against the US and its tech giants.

They are applied uniformly against all firms operating in the EU. They represent the outcome of a long deliberative process in which EU regulators and lawmakers carefully weighed the benefits and costs associated with alternative measures in the context of a rapidly changing world with rapidly changing technology.

As in all such processes, views differed, with some worrying that the rules were too restrictive.

But I and many others worry that the rules are not restrictive enough. The tech giants still exercise too much market power, conduct too little content moderation, and continue to abuse privacy rights.

The situation is having serious adverse effects on European society, especially its young

people and its democratic politics.

Capitulation will lead only to more demands

The question facing the EU now, however, is different. Whatever their views on existing regulations, Europeans must decide whether to surrender their sovereignty and democratic processes to a bullying authoritarian populist who is supported (and often directed) by America's own tech oligarchs.

Trump has consistently shown that he is acting in the interests of his closest backers and family members, not those of the American people

Trump has consistently shown that he is acting in the interests of his closest backers and family members, not those of the American people, and certainly not those of Europe.

By now, we should all know that capitulation will lead only to more demands down the road.

It makes no sense to fold to a country that is governed by a lawless president-king, a man driven entirely by personal obsessions, misconceptions about economics, and unjustified – and therefore unsolvable – grievances. European values are too important to be traded away.

The EU has the economic strength to withstand Trump's tariffs

Yes, there may be short-run costs to standing up to Trump, especially for firms that depend on the US market.

But while economists have long recognized that there are gains from trade when it is

conducted on fair terms, Trump is trying to extort as much value added from global supply chains as he can, which means that the gains to Europe are greatly diminished – and may even be negative.



The EU has the economic strength to withstand Trump's tariffs, especially now that it is investing in rearmament to win the war in Ukraine

The EU has the economic strength to withstand Trump's tariffs, especially now that it is investing in rearmament to win the war in Ukraine. Moreover, the losses that come from giving in would be much larger.

The principles that have governed international trade since World War II are critical for trade to be broadly beneficial.

Without the rule of law, markets do not deliver efficient or fair outcomes.

Investment would be discouraged, growth would suffer, and democracy would be further undermined.

When Chinese President Xi Jinping stood up to Trump, Trump backed down. And more recently, Brazilian President Luiz Inácio Lula da Silva has made it clear that some things cannot be compromised: his country's sovereignty, dignity, rule of law, and democracy. The EU should do the same.

Joseph E. Stiglitz, a Nobel laureate in economics and University Professor at Columbia University, is a former chief economist of the World Bank (1997-2000), former chair of the US President's Council of Economic Advisers, former co-chair of the

High-Level Commission on Carbon Prices, and lead author of the 1995 IPCC Climate Assessment. He is Co-Chair of the Independent Commission for the Reform of International Corporate Taxation.