

The impact of the provisional US-EU trade agreement on Mittelstand enterprises

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On 27 July 2025, the President of the European Commission Ursula von der Leyen and US President Donald Trump settled on a preliminary trade agreement. Of particular relevance to Mittelstand enterprises is that US import tariffs on most goods will only rise to 15% instead of the 30% previously announced. In other areas, such as the pharmaceutical industry, the level of customs duties remains unclear, while tariffs of 50% will continue to be levied on steel and aluminium imports into the US.

The provisional agreement that has now been concluded brings to an end the period of uncertainty that has prevailed since the beginning of April and has been weighing on the international business activities of Mittelstand enterprises. It also averts an escalating trade war that would have destroyed the advantages of the international division of labour for companies and ultimately would have harmed all involved stakeholders – the economy, consumers and the states. Nevertheless, the erratic proceeding of the US President could at any time lead to the tariff levels and trade relations between the US and the EU being called into question – and having to be renegotiated once again. The breakdown of US trade relations with Mexico and Canada by the US administration in recent months clearly illustrates this.

Mittelstand enterprises and politics facing (in)direct effects of US tariffs

Although the tariffs imposed on imports into the US are (technically) paid by importers and consumers in the US, Mittelstand export companies are affected both directly and indirectly by US customs policy. However, whether and to what extent this actually happens depends primarily on the degree of specialisation of their specific goods or services. The more innovative and tailor-made the solutions that Mittelstand companies, especially in the business-to-business

sector, create for their US customers, the more likely they will be able to keep their (net) prices stable despite increased customs duties. In fact, this may precisely be the case for many Mittelstand companies. Thanks to their close and long-standing relationships with their customers, they create customised goods and services that generate high value and cannot be easily replaced.

The increased US tariffs will hit Mittelstand enterprises offering largely standardised products much harder. The agreed tariff rate of 15% could negatively affect their achievable (net) prices and sales volumes. Nevertheless, there are also factors that could cushion this development: if, for example, imports of goods into the US decline as a result of US tariff policy, this could lead to an appreciation of the US dollar against the euro. This would tend to increase the euro-denominated sales of Mittelstand exporters on the US market.

Regardless of this, Mittelstand enterprises in Germany could also benefit from the declining competitiveness of US companies, as input costs for US firms are becoming more expensive. However, this effect also has an impact on global supply chains: if intermediate products become significantly more expensive in the long term due to customs duties, lead companies will have to look for new suppliers. This currently affects (Mittelstand) companies in the steel and aluminium industries, for example, whose goods are still subject to 50% tariffs in the US. In future, (Mittelstand) suppliers to the US pharmaceutical industry could also be affected, as this sector has been explicitly excluded from the current trade agreement between the EU and the US.

The more Mittelstand companies are affected by these negative direct and indirect developments resulting from US tariff policy, the more they will reduce their foreign activities in the US. This trend is likely to be more pronounced among smaller Mittelstand companies than among large companies, as the latter have significantly greater resources and are more diversified. In addition, the US administration's tariff policy is characterised by a rather erratic and unpredictable manner. This also makes it more difficult for companies to make (future) decisions on exports, company locations and investments. However, if smaller companies withdraw from a foreign market, they will think twice before expanding their foreign business activities in the US again at a later stage, especially as their important 'market proximity' may have diminished in the meantime and supply relationships will have to be re-established.

However, Mittelstand companies in the German and EU domestic markets may also face competitive disadvantages due to the fact that, e.g., China might send

its sales volume, which has been freed up as a result of increased US tariffs, to Europe at low (dumping) prices.

Nevertheless, the EU internal market will remain the most important procurement and sales market for Mittelstand enterprises in Germany. After all, it offers a high degree of legal certainty and reliable framework conditions for all European companies. Regardless of this, however, the European Union should now seize the opportunity to conclude free trade agreements with other states and groups of countries that also offer reliable and trade-facilitating framework conditions in view of the US tariff threats. In the best case scenario, the EU can thus strengthen its reputation as an 'island of stability' that is reliable and committed to a fair balance of interests.

In particular, smaller Mittelstand enterprises should be encouraged to expand their foreign business activities to countries with low economic and trade policy risks (e.g. EFTA).

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A more comprehensive analysis of the impact of the unilateral US tariff policy on the international business activities of Mittelstand enterprises in Germany can be found in the background paper 'Mittelstand enterprises facing US tariffs' on the IfM Bonn website [here](#).