



# US-EU TRADE RELATIONS : WHERE DO WE STAND AS OF JULY 15, 2025?

Following recent trade discussions between the European Union (EU) and the United States (U.S.) on 11 July 2025, President Trump has signed an Executive Order **postponing the initial 9 July deadline to 1 August**, allowing additional time for negotiations to continue. While this extension offers a window for potential compromise, President Trump has reiterated his intention to impose a **30% tariff** on all imports from the EU should no agreement be reached - raising the prospect of renewed escalation in transatlantic trade tensions.

In parallel, the U.S. has raised the possibility of additional tariffs, including a 200% levy on pharmaceutical products and a 50% tariff on copper. These threats come alongside ongoing investigations in strategic sectors under *Section 232*, including critical minerals, semiconductors, commercial aircraft, and jet engines and parts. In response, the **EU has announced a €72 billion countermeasure package**, unanimously endorsed by all Member States. This new package complements a €21 billion set of measures approved in April, which had been suspended pending negotiations.

## Latest evolution in a nutshell

### U.S.

- On **12 July 2025**, President Trump **threatened to impose a 30% tariff** on all imports from the EU in a letter published on *Truthsocial* (20% prior to that date).
- **Ongoing investigations on 232 tariffs in strategic sectors** (copper, critical minerals, semiconductors, pharma, imported commercial aircrafts, jet engines and parts), including **200% tariffs on pharma** and **50% on copper**.
- **The IEEPA<sup>1</sup> tariff case** reached the Appellate Court. In May, the Court of International Trade struck down the IEEPA tariffs, holding that this statute does not authorise the President to impose unbounded tariffs.

### EU

- The **EU has announced a €72 billion countermeasure package**, unanimously endorsed by all Member States. This new package complements a **€21 billion set of measures** approved in April
- **EU countermeasures responding to tariffs on steel & aluminium could kick in before August 1**, but more likely to be postponed if a deal is agreed/remains likely. **New countermeasures responding to reciprocal and automotive tariffs** are being developed. They would include tariffs on wide range of US exports of goods and export controls.
- **"We will negotiate first, but we will prepare at the same time"**, assured European Trade Commissioner Maros Sefcovic, who will continue negotiations until August 1.

## What to expect next?

### A range of outcomes of the trade talks are possible, but 2 main options stand out:

- **Scenario 1:** The EU & U.S. reach a **framework deal** (aiming at **10% tariffs**) and commit to **further discussions** on certain issues; both sides extend **suspension of tariffs**.
- **Scenario 2:** The EU & U.S. **don't reach a deal**, **30-50%** reciprocal tariffs kick in, EU reacts with **countermeasures (€93 billion package)** and announces further work on rebalancing measures.

[1] International Emergency Act - 1977 federal law authorizing the president to regulate international commerce after declaring a national emergency in response to any unusual and extraordinary threat.

## Main points of attention

### Increased engagement between the EU & the US around two tracks:

- Strategic sectors & tariff
- Non-tariff barriers.

### What kind of deal?

- Potential non-binding framework agreeing on areas of further negotiations and suspension of tariffs.
- Less traditional approach beyond trade: inclusion of non-tariff barriers (Omnibus), promised EU investment in the US, etc.

### How long can EU unity last over strategy?

- Fragmentation among Member States on the approach to take.
- Growing pressure from the Parliament to retaliate.

## Key Sectors at Risk

The latest escalation is likely to impact several export-driven European sectors:

- **Automotive:** EU exports to the U.S. reached €38.5 billion in 2024 according to the *European Automobile Manufacturers Association (ACEA)*.
- **Aerospace:** already under strain due to existing tariffs on aluminium & components. Industrial groups on both sides put pressure for a carve-out, but no such exemptions have been confirmed in the current U.S. plan.
- **Wine and spirits:** the U.S. remains the EU's largest market.
- **Luxury goods & cosmetics:** luxury houses have already adjusted pricing in past rounds of tariffs.
- **Pharmaceuticals:** although currently exempt, new draft proposals reportedly include a 200% tariff on select pharma products.

## Key takeaways

### Tariffs as of 15 July 2025:

- 10% on all imports of European goods
- Steel & aluminium: 25%
- Automotive: 25%

### What to expect after August 1st:

#### “Deal”

- An agreement would be a major step towards de-escalation and a beneficial for transatlantic trade.
- Reduced tariff rates would provide relief for businesses (but the 10% U.S. baseline is still costly).
- The EU and the U.S. must reach a permanent agreement.

#### “No deal”

- The US decision to impose a 30% tariff on EU imports would generate damaging ripple effects across all sectors of the EU and U.S. economies.
- The EU and the U.S. must re-commit to negotiation with the goal of reducing tariffs – both reciprocal and Section 232 measures.

## GET IN TOUCH

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