

US-EU TRADE RELATIONS : WHERE DO WE STAND AS OF AUGUST 28, 2025?

Latest evolution in a nutshell

On **27 July 2025**, the European Union (EU) and the United States (US) reached a **non-binding trade agreement**, following months of escalating tariff threats. The agreement capped **tariffs at 15%** on most European imports, compared to an average of 5% before Donald Trump's election.

Some elements of the trade deal remained unresolved and a **Joint EU-US Statement** issued on **21 August 2025** provided clarifications, though several issues are still subject to negotiations.

Tariff framework

- A flat 15% all-inclusive tariff applies to most EU products.
- This ceiling replaces the previous system, where US "*most favoured nation*" (MFN) tariffs were stacked on top of additional duties.
- Sensitive sectors such as pharmaceuticals, semiconductors, and wood products will also face the 15% tariff (down from threatened rates of up to 200%).

Exemptions

- Certain products are exempt, including "*unavailable natural resources*", aircraft and aircraft materials, and generic medicines with their active substances.
- The European Commission has indicated its intention to negotiate further exemptions for additional sectors.
- To date, wine and spirits remain excluded, though negotiations are ongoing.

Agriculture market access

- The EU agreed to improved access for non-sensitive U.S. agricultural exports valued at €7.5 billion.
- This covers items such as soybean oil, seeds, grains, nuts, as well as processed products like tomato ketchup, cocoa, and biscuits.

EU purchase commitments

- The EU reiterated its pledge to purchase up to \$750 billion in U.S. energy products and military equipment, along with \$40 billion in U.S. AI chips for European data centers by 2028.
- Experts caution, however, that these pledges are aspirational rather than binding, given uncertainty over both the EU's financing capacity and U.S. supply readiness.

What to expect next?

Key topics are still under discussion:

- **Automotive sector:** The US has promised to lower tariffs to 15% (instead of the initially planned 27.5%) if the EU formalizes its commitments through legislation. This would include eliminating duties on US cars and other industrial goods, as well as granting preferential access for certain American agricultural products (e.g., nuts, dairy products, processed fruits/vegetables, soybean oil, pork).
- **Steel and aluminium:** Uncertainty persists. European exports will be subject to tariff-rate quotas, allowing reduced or zero tariffs on limited volumes, with standard tariffs applied beyond these quotas. Meanwhile, the additional 50% tariffs imposed by the Trump administration in June remain in force.

Ongoing legal topics

- **Section 232 investigations:** The U.S. has launched investigations under *Section 232 of the Trade Expansion Act*, allowing tariffs on imports seen as a national security risk. Semiconductors, lumber, and pharmaceuticals (previously threatened with tariffs up to 200%) could see higher rates. The EU argues that, under the "*all-inclusive*" 15% deal, tariffs should not exceed 15%.
- **"America's big case":** Six states and five small businesses are challenging Trump's use of emergency powers (IEEPA) to impose tariffs; a lower court ruling against him is on hold, tariffs remain in force, and the case is likely headed to the Supreme Court this fall. A ruling against Trump could open the door to tariff refunds and reshape the legal basis for U.S. trade policy, creating uncertainty for businesses planning transatlantic investments.

US-EU TRADE RELATIONS : WHERE DO WE STAND AS OF AUGUST 28, 2025?

- **Supreme Court review:** On 29 September, the U.S. Supreme Court will hold its “Long Conference” during which it may decide whether to hear a case challenging the tariffs. The plaintiffs, a group of small businesses, argue that the tariffs amount to an additional tax burden of \$1,200–2,800 per U.S. household in 2025. While such challenges have historically had little success (U.S. courts generally defer to the executive on trade and national security) the case could signal growing scrutiny of presidential tariff powers, with potential implications for the durability of the current deal in the longer term.

Main points of attention

EU-U.S. engagement focus

- Discussions continue on two main tracks: strategic sectors & tariffs, and non-tariff barriers.
- EU commitments to flexibility on CBAM, CSRD, and CS3D implementation “to avoid undue restrictions on transatlantic trade” (Joint Statement). These commitments do not grant more favorable treatment to U.S. companies.

Political context

- Divergence among Member States on approach.
- French PM François Bayrou called the deal a “dark day” for Europe; German Chancellor Merz flagged “potential economic damage”.

Key sectors at risk

- **Automotive:** EU exports to the U.S. reached €38.5B in 2024; 15% tariff applies, conditional on EU legislative actions.
- **Wine & spirits:** No exemptions yet; U.S. remains EU’s largest market.
- **Pharmaceuticals:** 15% tariffs remain in place.
- **Luxury goods & cosmetics:** Some adjustments already made in previous tariff rounds.
- **Other sectors under watch:** Semiconductors, aerospace and generic medicines are exempted; steel and aluminum subject to tariff-rate quotas (pending definition).

Opportunities / Market access:

- EU to provide preferential access for U.S. seafood and agricultural exports (~€7.5B, including soybean oil, nuts, processed foods).
- EU also intends to eliminate tariffs on U.S. industrial goods.
- The EU has committed to purchase up to \$750B in U.S. energy and military equipment, and \$40B in AI chips by 2028 (non-binding).

Key Takeaways

- **15% tariffs** on most EU imports; automotive, steel, aluminum, and pharma subject to special conditions.
- Certain strategic sectors **exempted** : semiconductors, aerospace, generics.
- **Negotiations ongoing** for wine, spirits, and additional exemptions.
- U.S. **legal reviews** and **ongoing investigations** under Section 232 may still influence tariffs in 2025.
- **EU-U.S. cooperation** continues across trade, investment, and regulatory alignment.

For more information

- Read the full EU - U.S. August 21st Joint Statement [here](#).
- More information on the July 27th trade agreement between the EU and the US [here](#).
- More information on “America’s big case” [here](#).