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U.S.-EU Tariffs and Trade Framework Agreement

In July 2025, the world's two largest economies—the United States and the 27-member European Union (EU)—announced a bilateral framework agreement to address some tariff and trade issues. The deal is one of a few preliminary deals concluded by the second Trump Administration with certain trading partners amid U.S. tariff actions since January 2025 (see **text box**). Details of the deal were released in August, and the deal has not been fully implemented. Congress may consider implications of the U.S.-EU framework agreement for U.S.-EU trade relations and Congress's role in U.S. trade policy.

Trump Administration Tariff Actions

Since January 2025, the Trump Administration has imposed additional tariffs on U.S. imports. The President invoked the *International Emergency Economic Powers Act (IEEPA)* to impose 10% "reciprocal" tariffs on most U.S. imports and higher partner-specific tariffs (up to 41%), based on trade deficit concerns. He invoked *Section 232 of the Trade Expansion Act of 1962 (Sec. 232)* to impose expanded steel and aluminum tariffs (50%), and new tariffs on autos and auto parts (25%) and on copper (50%), based on national security concerns. The Administration is conducting Sec. 232 investigations in other sectors (e.g., pharmaceuticals and aircraft) and could impose tariffs on these products.

Background

The United States and the EU are each other's top bilateral trade and investment partners. They have historically worked jointly to develop an open and rules-based global trading system. As World Trade Organization (WTO) members, they have generally traded on a most-favored-nation (MFN) basis, applying the principle of non-discrimination. An exception to this principle is deals covering "substantially" all trade among parties, under which parties can extend more preferential treatment. No comprehensive U.S.-EU free trade agreement (FTA) exists, despite past U.S. and EU efforts.

Various Administrations and Congresses have raised concerns over aspects of EU trade policies perceived as trade-restrictive or discriminatory against U.S. firms. Some commentators assess U.S.-EU trade ties as especially fraught under President Trump, who has called EU trade practices an "atrocity" and assessed that the U.S. goods trade deficit with the EU (the second-largest after the U.S. goods trade deficit with China) is an indicator that U.S.-EU trade is unfair to the United States. EU officials have cast U.S.-EU trade and investment as mutually beneficial, noting the integrated nature of transatlantic supply chains.

U.S.-EU Joint Statement

The White House and the European Commission (the "Commission"), which conducts trade negotiations on behalf of EU member states, issued a joint statement dated August 21, 2025, with details on the deal. The parties stated their aim for the deal, titled the U.S.-EU "Framework on an Agreement on Reciprocal, Fair, and Balanced Trade," to be "a first step in a process that can be expanded further over time" to cover more areas, enhance market access, and increase trade and investment ties. Select terms follow.

Tariffs. Under the deal, the EU aims to eliminate tariffs on all *U.S. industrial goods* and give "preferential market access" to *certain U.S. seafood and agricultural goods*. On August 27, the Commission submitted for consideration under the EU's legislative procedures two proposals to implement the tariff reductions. One proposal would eliminate EU tariffs on all U.S. industrial goods and ease tariffs on certain U.S. seafood and "non-sensitive" agricultural goods, mainly through opening tariff-rate quotas (TRQs). An EU press release stated the EU had already applied "zero or very low tariffs on 67%" of U.S. industrial goods. It also stated that seafood and agricultural tariff reductions would include products where the United States is already a "major source for the EU processing industry." The other proposal would extend and expand tariff-free treatment of U.S. lobster on MFN terms initially provided in a U.S.-EU mini-deal concluded during the first Trump Administration. The EU proposals specified that tariff reductions could be suspended if, for example, the United States "fails to implement" or "undermines the objectives" of the joint statement. The European Parliament and the Council of the European Union must approve the proposals for them to take effect in the EU.

For its part, the United States committed to apply the *higher of either the MFN tariff or a 15% tariff on EU products* (the latter comprising the MFN tariff and a "reciprocal" tariff). The 15% rate is higher than the 10% "baseline" tariff imposed in the "reciprocal" tariff action, but lower than other rates the President had proposed for the EU (e.g., 30%). Executive Order (E.O.) 14236 of July 31, 2025, implemented this and other higher partner-specific tariff rates. The United States also committed to apply, as of September 1, only the MFN tariff to "*unavailable natural resources (including cork), all aircraft and aircraft parts, generic pharmaceuticals and their ingredients and chemical precursors*"—products that are among top EU exports. The parties also agreed to consider other sectors and products for exclusion from the 15% rate. E.O. 14346 of September 4, 2025, permits changes to tariff rates to implement current and future framework agreements; it cites U.S. commitments in the U.S.-EU deal as examples of changes that are "necessary and appropriate to implement."

Sec. 232. The deal addresses products that currently face or could face Sec. 232 tariffs. The United States indicated it "will" reduce tariffs on EU *automotive products* in the same month that the EU "formally introduces the necessary legislative proposal to enact" its tariff reduction commitments. Deal implementation would lower the U.S. tariff rate on EU autos from 27.5% (2.5% MFN rate plus 25% Sec. 232 rate) to 15%, and the EU tariff rate on U.S. autos from 10%

(MFN rate) to 0%. The United States also "intends to promptly ensure" that tariff rates for EU products subject to forthcoming Sec. 232 actions on *pharmaceuticals, semiconductors, and lumber* do not exceed 15%. *Steel, aluminum, and copper* are excluded from the 15% tariff, and continue to face 50% Sec. 232 tariffs. The parties aim to consider possible cooperation on overcapacity in steel and aluminum, including through TRQ "solutions."

Rules of origin (ROOs). The parties stated they "will negotiate rules of origin" so that the deal's benefits "accrue predominately" to them. ROOs have been used in FTAs to determine the national origin of a good and which goods traded among parties qualify for preferential treatment.

EU purchase and investment pledges. Per the deal, the EU "intends to procure" U.S. energy products with an "expected offtake valued at $750 billion" through 2028; "intends to purchase" at least $40 billion in U.S. artificial intelligence chips; and "plans to substantially increase procurement of [U.S.] military and defense equipment." Also under the deal, European firms "are expected to invest an additional $600 billion across strategic [U.S.] sectors" through 2028.

Digital trade. The parties committed "to address unjustified digital trade barriers," with the EU "confirm[ing] that it will not adopt or maintain network usage fees." The parties also "intend to continue" supporting a WTO moratorium on e-commerce duties. According to the Commission, the deal does not cover digital services taxes (DSTs)—which some EU members have imposed or are considering—nor does it cover EU digital economy regulations. Many U.S. technology firms have characterized both measures as discriminatory. The President has threatened to impose tariffs in response to trading partners' DST measures.

Select other issues. U.S.-EU commitments also included mutual recognition of each other's automobile standards; streamlining health and safety requirements for pork and dairy products; and cooperating on critical minerals, intellectual property, labor rights, and economic security (e.g., supply chains, non-market policies of third countries, outbound investment reviews, and export controls).

Reactions and EU Countermeasures Status

A White House fact sheet described the deal as "historic" and "rebalancing the [U.S.-EU] economic relationship." Commission President Ursula von der Leyen stated the deal "delivers stability and predictability" for EU citizens and businesses and defended it as "good, if not perfect." Some in Congress voiced support for the deal as a way to expand U.S. access to the EU market and strengthen U.S. supply chains. Others have criticized the President's use of tariffs and questioned the significance of framework agreements. EU Trade Commissioner Maroš Šefčovič said the deal was "the best we could get under very difficult circumstances." Italian Prime Minister (PM) Giorgia Meloni cast the deal as "positive" after the initial announcement while seeking more clarity. Some European officials expressed relief that a "trade war" was avoided, but were otherwise muted in their reaction; per Dutch caretaker PM Dick Schoof, "no tariffs would have been better." Others cast the deal as EU acquiescence. François Bayrou, then the French PM, wrote, "It is a dark day when an alliance of free peoples ... resigns itself to submission." Some German officials voiced concern about the deal's costs to the country's export-oriented economy.

The National Foreign Trade Council, an association of U.S. businesses that advocates for an open, rules-based global economy, stated that any deal to address tariffs and avoid retaliation is "welcome," but noted that the "initial framework leaves in place a number of troubling EU policies." U.S. and EU aerospace industries welcomed the return to the prior zero-tariff regime for their sector. Some EU auto and pharmaceutical firms welcomed the lowering of tariffs to 15%, but voiced concern that the deal remained costly. Some EU agricultural groups (e.g., wines and spirits) support continued efforts to pursue tariff exemptions.

The Commission prioritized seeking a negotiated deal with the United States, while vowing to take "proportionate" countermeasures if talks failed. In July, the EU adopted retaliatory tariffs to target over €90 billion ($100 billion) of U.S. products (e.g., aircraft, autos, alcoholic beverages). The tariffs, which would have taken effect on August 7 absent a deal, were suspended on August 5 for six months. Some officials in EU member states promoted using the EU's Anti-Coercion Instrument (ACI) as a response to the U.S. tariffs if the talks failed. In addition to tariffs, the ACI allows for non-tariff actions to respond to "economic coercion" by a third country, such as by restricting access to the EU market for services and public procurement.

Possible Issues for Congress

Congress may monitor the U.S.-EU framework agreement's implementation and implications for U.S.-EU trade ties. One issue is the deal's durability, with questions such as:

- Will the EU implement investment pledges involving EU companies? If so, how?
- How might potential additional U.S. tariffs, potential EU countermeasures, or legal challenges to U.S. tariff actions affect the deal?
- Are the parties considering TRQs to replace steel and aluminum tariffs? Which goods, if any, should the parties prioritize for additional tariff exemptions?

Another issue is compliance with WTO rules. Since the U.S.-EU deal is limited in trade coverage, any EU tariff concessions not extended on an MFN basis, or differential treatment by the United States of the EU relative to other WTO members, could raise questions about compliance with the WTO's non-discrimination principle. Yet, given that the parties aim for the deal to be a "first step," it could lead to coverage of "substantially" all U.S.-EU trade, which could address compliance concerns in the long-run.

Members also may consider whether the President's EU trade policy, including the use of congressionally-delegated tariff-setting authority, aligns with their trade priorities. Some favor using the framework agreement's targeted approach on selected tariff and trade issues to expediently advance U.S. interests. Others prefer negotiating comprehensive FTAs to reach more durable solutions to trade issues. Some also seek to limit the President's authority to impose tariffs, and to require a formal role for Congress to approve "mini" trade deals; others favor maintaining or expanding the executive's use of tariffs and approach to trade initiatives.

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