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Publications

August 22, 2025 • Updates

United States and European Union Add Commitments to Trade Framework

Key Takeaways

- The EU commits to eliminate tariffs on all U.S. industrial goods and provide preferential access for U.S. seafood and agricultural products, with the EU intending to introduce the legislative proposal this month.
- Most imports from the EU will be subject to 15% tariffs, with the U.S. applying the higher of either the Most Favored Nation (MFN) tariff rate or a 15% rate comprised of the MFN tariff and a reciprocal tariff.
- Certain EU products are eligible for lower tariff rates, including:
    - Unavailable natural resources, aircraft and parts, and generic pharmaceuticals are only subject to the MFN rate.
    - If Section 232 tariffs are imposed, the tariffs on pharmaceuticals, semiconductors and lumber will not exceed 15%.
    - Once the EU introduces the legislative proposal on tariff reductions, the U.S. will adjust the applicability of Section 232 tariffs to automobiles and parts.
- The U.S. and EU committed to strengthening cooperation in other areas including third-country export controls on critical minerals, supply chain resilience and digital trade barriers.

On August 21, the United States and the European Union (EU) jointly announced a Framework on an Agreement on Reciprocal, Fair, and Balanced Trade that builds upon the details the U.S. and EU negotiated since the July 27 trade deal. The framework sets out some of the key trade commitments the U.S. and EU describe as initial steps in an ongoing process to improve market access and increase their trade and investment relationship.

Key Provisions of the Framework

EU Commitments: Tariff Elimination and Market Access

The EU will initiate legislation this month to eliminate tariffs on U.S. industrial goods and commits to provide preferential market access for a wide range of U.S. seafood and agricultural goods, including tree nuts, dairy products, fresh and processed fruits and

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vegetables, processed foods, planting seeds, soybean oil and pork and bison meat. The EU also committed to provide additional flexibilities for U.S. small and medium-sized businesses in relation to Carbon Border Adjustment Mechanism (CBAM).

U.S. Tariffs: 15% Standard with Exceptions

In general, the U.S. will apply the higher of either the U.S. Most Favored Nation (MFN) tariff rate or a tariff rate of 15% — the MFN tariff and a reciprocal tariff — on goods originating from the EU, consistent with the Administration's announcement in Executive Order 14334 (for further details on the Executive Order, please see here).

However, certain products and sectors may qualify for lower duties and preferential treatment.

Effective as of September 1, 2025, the U.S. will apply **only** the MFN tariff (not the reciprocal tariff) to the following EU products:

- Unavailable natural resources (including cork);
- All aircraft and aircraft parts; and
- Generic pharmaceuticals and their ingredients and chemical precursors.

The U.S. and the EU may add other sectors and products important to their economies and value chains to this MFN-only list. The parties have not yet issued a list of Harmonized Tariff Schedule (HTS) import codes within the above sectors for which the MFN-only rates will apply.

Section 232 national security investigations are ongoing for certain products. However, the U.S. intends that the total tariff rate on imports from the following sectors would not exceed 15%, should Section 232 tariffs be imposed as a result of the investigations:

- Pharmaceuticals;
- Semiconductors; and
- Lumber.

Sector-Specific Arrangements

Automobiles and Automobile Parts: Once the EU formally introduces its legislative proposal on tariff reductions on U.S. industrial goods, the U.S. will reduce the 25 percent Section 232 tariffs on automobiles and automobile parts as follows:

- If EU automobiles or automobile parts are subject to an MFN tariff rate of 15% or higher, no Section 232 tariffs will apply.
- For those with an MFN rate lower than 15%, the total tariff rate comprised of the MFN rate and Section 232 tariff will be 15%.

The tariff reductions are expected to be effective from **the first day of the same month** in which the EU's legislative proposal is introduced. Both U.S. and EU commit to reduce non-tariff barriers and accept each other's standards on automobiles and automobile parts.

Steel and Aluminum: The 50 percent Section 232 tariff on imports of steel and aluminum and their derivative products remains in place. The U.S. and EU intend to consider cooperating to protect their respective domestic markets from overcapacity while ensuring secure supply chains through mechanisms like tariff-rate quotas. No further details on the

quotas were announced.

Food and Agricultural Products: The U.S. and EU intend to cooperate to address non-tariff barriers and streamline requirements for sanitary certificates for pork and dairy products.

Critical Minerals: The U.S. and EU commit to strengthening cooperation and activity regarding third-country export restrictions on critical minerals and similar sources.

Additional Cooperation Areas

The U.S. and EU also commit to working together to address:

- High-standard commitments for IP protection and enforcement;
- Strong protection of internationally recognized labor rights, including eliminating forced labor in supply chains;
- Unjustified digital trade barriers; and
- Strengthening economic security to enhance supply chain resilience by addressing third parties' non-market policies and duty evasion, as well as inbound/outbound investments and export controls.

Implications for Business

The framework creates both opportunities and compliance considerations for companies engaged in U.S.-EU trade. While the EU's commitment to eliminate tariffs on U.S. industrial goods may benefit U.S. exporters, the 15% tariff structure for most EU imports to the U.S. will affect cost structures and sourcing decisions. Companies should assess how the sector-specific arrangements may impact their operations, particularly in automobiles, pharmaceuticals, semiconductors and agricultural products.

If your business needs strategic legal guidance or anticipates potential impacts resulting from these announcements, contact Deanna Okun, Lydia Pardini, Polsinelli's Executive Action Working Group or your Polsinelli contact.