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U.S.-EU Trade Framework: Outcome and Next Steps

Arun Venkataraman, Atli Stannard, Kate McNulty, Bart Szewczyk, and Matthieu Coget*

In this article, the authors outline the key elements of the trade framework agreement recently announced by the United States and the European Union, as well as remaining uncertainties regarding its implementation and for the overall U.S.-EU trade relationship.

The United States and the European Union (EU) have announced a trade framework agreement, following a meeting between U.S. President Donald Trump and European Commission President Ursula von der Leyen. The deal avoided imposition of a 30 percent reciprocal U.S. tariff on EU goods that was set to take effect August 1, 2025, and a potential EU countermeasure targeting up to €93 billion in U.S. exports, scheduled for August 7, 2025 (i.e., Implementing Regulation (EU) 2025/1564).[1]

The trade framework agreement defused an immediate tariff spiral, and was fleshed out in an August 21 Joint Statement setting out more detail on the two parties' implementation of their respective commitments. Nevertheless, the absence of a binding legal text leaves room for conflicting readings, further negotiations, and opportunities for stakeholder engagement with U.S. and EU officials, as the details of the agreement are finalized.

This article outlines the key elements of the recently announced trade deal, as well as remaining uncertainties regarding its implementation and for the overall U.S.-EU trade relationship.

Core Elements of the Political Agreement

Key details of the agreement are available through a White House Fact Sheet,[2] a European Commission Q&A document,[3] their Joint Statement on a Framework Agreement,[4] as well as official statements. Executive orders issued by President Trump on July 31, 2025,[5] and September 5, 2025,[6] revised reciprocal tariff rates for U.S. trading

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partners—including the EU—providing additional insight into the operation of the deal.

These sources indicate the following principal components:

- The United States will apply the higher of either the U.S. Most Favored Nation (MFN) tariff rate or a 15 percent tariff to most imports from the EU. For those goods to which it applies, the 15 percent rate will generally act as an all-inclusive tariff "ceiling," such that certain other tariffs will not "stack" (or apply simultaneously) with this 15 percent rate.
- As of September 1, 2025, the U.S. will apply only the MFN tariff to certain EU-origin products, including certain natural resources such as cork, all aircraft and aircraft parts, generic pharmaceuticals and their ingredients, and chemical precursors. The EU and U.S. will consider adding further goods of importance to both parties to this list over time.
- This 15 percent tariff ceiling will also apply to EU automobiles, semiconductors, and pharmaceuticals, all of which are products that are or are expected to become subject to tariffs under Section 232 of the U.S. Trade Expansion Act of 1962. However, existing Section 232 tariffs of 50 percent on steel and aluminum will remain in place for the time being, as will reciprocal tariffs on alcoholic beverages, though treatment of these products will be subject to further negotiation.
- U.S. tariffs on EU aircraft and aircraft parts, certain chemicals, certain drug generics, or natural resources will go back to pre-January (duty-free) levels.
- The EU has committed to making U.S. energy purchases worth $750 billion, equating to $250 billion per year for the rest of President Trump's second term and U.S. AI chips purchases worth $40 billion over an unspecified term.
- The EU will invest an additional $600 billion in "strategic sectors" of the U.S. economy beyond current investment levels.
- The EU will purchase American military equipment, a commitment President Trump has stated is worth "hundreds of billions of dollars," though the precise amount is still to be negotiated.

- The EU has also committed to lower U.S.-origin industrial goods tariffs to 0 percent, including for the automotive sector.
- The EU "intends" to offer preferential market access for certain non-sensitive U.S. agrifood exports, and will immediately eliminate tariffs on imports of U.S. live, frozen, and processed lobster products—an expansion of the August 21, 2020, tariff agreement on lobster products. The EU also committed to address U.S. concerns around non-tariff barriers affecting imports of U.S.-origin agricultural and food products.
- The EU committed to address U.S. concerns that certain sustainability-related regulations may unduly impact U.S. companies and exports to the EU. The measures in question include the EU Deforestation Regulation, the EU Carbon Adjustment Mechanism, the Corporate Sustainability Due Diligence Directive, and the Corporate Sustainability Reporting Directive—in particular for companies based in "countries with relevant high-quality regulations."
- In the Joint Statement, the parties also committed to negotiate a mutual recognition agreement on cybersecurity, to address "unjustified digital trade barriers."

The political agreement is not legally binding, and each side must give effect to the political commitments under their own legal processes. The U.S. has largely implemented its tariff measures. The executive order[7] issued on July 31 implements the 15 percent tariff as of August 7 by amending the reciprocal tariffs previously imposed under the International Emergency Economic Powers Act (IEEPA). The executive order[8] issued on September 5 reduced tariffs on automobiles and automobile parts originating in the EU and subject to Section 232 tariffs retroactively to August 1, 2025. These changes were reflected in a Federal Register notice published September 25 that made the required changes to the U.S. Harmonized Tariff Schedule.[9]

The pathway for implementation of commitments by the EU is markedly more complicated and time-consuming, because the tariff adjustments and investments commitments made by the EU fall partly outside the European Commission's control. Delivering on the political agreement will therefore be procedurally and politically complex, as outlined further below, and delays in or dilution of EU commitments could prompt renewed U.S. action under IEEPA or other U.S. trade powers. Indeed, President Trump has already warned that a failure by the EU to follow through on certain investment commitments contained in the deal could trigger increased tariffs.

Uncertainties Ahead—EU Procedural Challenges

WTO-Compliant Tariff Changes

Subjected to limited exceptions, members of the World Trade Organization (WTO) are generally required to apply the same tariffs to all other WTO members, a foundational WTO concept known as the "Most Favoured Nation" or "MFN" principle. EU implementation of a unilateral zero-duty rate limited to U.S. goods would, on its face, raise concerns regarding compliance with this obligation. Indeed, the EU appears to have accepted that the deal reached with the U.S. cannot qualify as a comprehensive free trade agreement fulfilling the requirements of Article XXIV of the WTO General Agreement on Tariffs and Trade.[10] (This provision allows WTO members to derogate from the MFN principle in order to implement preferential trade agreements, including interim agreements, provided such agreements cover "substantially all trade.") The EU does not yet appear to have faced challenges from WTO members to its lowering of MFN tariffs in respect of the U.S. outside the framework of such a preferential trade agreement.

Domestically—EU Tariffs on U.S. Goods

On August 28, the EU proposed a Regulation[11] to implement its proposed tariff reductions for U.S.-origin goods under the deal. This is now under consideration by the Council of the EU and the European Parliament.

- In the Council of the EU, several key Member States (e.g., Germany and Italy) have indicated political alignment with the EU-U.S. deal, suggesting that the Commission will secure the qualified majority vote it needs in the Council.

- The European Parliament paints a more complex picture. The largest center-right party group is broadly supportive, though with some discomfort. The center-left have called it a "bad deal" and it is not clear whether they will support it. The far left opposes the deal, and the far right is fragmented.

Opponents in the European Parliament are unlikely to secure a majority when the deal is put to a vote, but they could present challenges for the European Commission.

Domestically—Energy-Purchase Pledge ($750 Billion) and $600 Billion EU Investment in the United States

Energy policy is a shared competence under Article 194 TFEU, with Member States retaining the right to determine their national energy mix and the conditions for exploiting their energy resources. Accordingly, the European Commission cannot compel companies or governments to purchase U.S. liquefied natural gas or crude oil. At most, it can promote voluntary coordination mechanisms (e.g., the AggregateEU demand aggregation platform), but participation will then remain non-binding.

Similarly, while the European Commission may negotiate foreign direct investment facilitation frameworks under Article 207 TFEU, it lacks the competence to mandate or guarantee that EU-based enterprises will invest $600 billion in the U.S. economy. Any formal structure to support or incentivize such outbound investment would likely require approval under the Article 207/218 TFEU procedure and depend heavily on private-sector interest. Indeed, reporting suggests that this sum represents what the European Commission expects the EU private sector to invest in the United States over the relevant period.

The European Commission has implicitly acknowledged that it does not have the authority to enforce this portion of the political agreement. It remains unclear how the European Commission intends to implement these commitments, which fall largely outside its institutional powers and depend on Member State and market-driven decisions. Meanwhile, President Trump has threatened to impose heightened tariffs against the EU if it fails to meet these commitments.

Uncertainties Ahead—Potential New Demands from the Trump Administration

Section 232 Investigations

The U.S. Commerce Department will soon complete multiple national security investigations launched earlier this year, which are expected to result in increased U.S. tariffs on imports of semiconductors, pharmaceuticals, timber, trucks, aircraft engines, drones, and polysilicon. The United States has already imposed Section 232 tariffs ranging from 25 percent to 50 percent on imports of steel, aluminum, cars, auto parts, and copper. On September 25, President Trump announced a series of new tariffs, likely under Section 232, on heavy-duty trucks,[12] furniture,[13] and on "any branded or patented pharmaceutical product, unless a company is building their pharmaceutical manufacturing plant in America."[14] Under the terms of the U.S.-EU deal, however, the 15 percent tariff cap for EU goods would apply in lieu of Section 232 tariffs on autos and auto parts, pharmaceuticals, and semiconductors. Other products not explicitly covered by the cap could still be subject to additional tariffs under the ongoing Section 232 proceedings.

U.S. Seeks Binding EU Commitments on Green Deal Rules

The United States is understood to have demanded in October that the EU exclude U.S.-headquartered companies from various obligations under legislation adopted under the last European Commission mandate's "Green Deal" agenda. In particular, the U.S. has sought exclusions from an obligation to adopt "climate transition plans" and from the scope of the Corporate Sustainability Due Diligence Directive. The latter is currently subject to amendment as part of the European Commission's "Omnibus I" simplification package, with text under negotiation with the European Parliament and Council. Such exclusions would go far beyond the current EU simplification proposals, discriminating in favor of U.S. companies, and thus making such changes politically extremely difficult to enact.

Possible U.S. Trade Actions Targeting EU Tech Rules

The United States is closely scrutinizing EU initiatives affecting digital trade and tech, and although President von der Leyen stated on July 27 that EU digital regulations were not part of the political agreement, the issue resurfaced almost immediately. The August 21 Joint Statement committed both sides to "address unjustified digital trade barriers," explicitly referencing network usage fees and electronic transmissions. The newly appointed U.S. ambassador to EU has been vocal on the need for the EU to change its digital rules, or convince the U.S. that their concerns are unfounded. President Trump himself has challenged such digital rules and their enforcement, threatening to "impose substantial additional Tariffs" on "Countries that attack our incredible American Tech Companies,"[15] and calling a September 5 fine on Google under the EU's Digital Markets Act an attack on "American Ingenuity" and stating that the "Administration will NOT allow these discriminatory actions to stand."[16] Given continued U.S. scrutiny, Brussels could face additional tariff pressure to amend or defer contested measures, potentially reopening a topic the European Commission had considered outside the scope of the political agreement.

Additional tariff pressure by the United States on these issues could take several forms. For instance, under the first Trump administration, the U.S. Trade Representative (USTR) investigated the digital service tax (DST) policies of the EU and several EU Member States under Section 301 of the Trade Act of 1974, which resulted in the United States announcing—but ultimately suspending and then terminating—retaliatory tariffs against Austria, France, Italy, and Spain. USTR continues to monitor DST policies in Europe and could potentially reinstate tariffs under these prior Section 301 actions with little notice.

Separately, U.S. criticism of EU digital laws such as the Digital Markets Act and the Digital Services Act could also prompt new U.S. trade actions, including under Section 301. Initiation of a Section 301 investigation would trigger a public notice and consultation process and could also lead to tariffs.

If the United States were to disregard what the EU perceives as the exclusion of EU tech and digital regulation from the agreement, political pressure within the EU could prompt the European Commission to retaliate. Policy instruments under consideration include digital services measures (likely via the EU Anti-Coercion Instrument) and reigniting the retaliatory tariff list previously scheduled to take effect on August 7 and now suspended under the EU-U.S. trade framework. While such retaliation in turn risks that framework falling apart, significant internal recriminations faced by the EU regarding its perceived capitulation to the Trump administration's trade demands mean it will be more difficult for the European Commission to resist such action.

Notes

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