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MEMORANDUM

July 31, 2025

BY ELECTRONIC MAIL

FROM: Olsson Frank Weeda Terman Matz PC

RE: Customs and Trade Update: U.S.- EU Cooperation Agreement on Reciprocal, Fair and Balanced Trade and 15-20%; Baseline Tariff Rate on Other Countries.

This memorandum outlines recent trade-related developments that may affect your business operations: the U.S.-EU trade deal announced earlier this week and the baseline tariff rate that will be applied on other countries with which the U.S. has not reached an individual trade deal. Separately, President Trump issued an Executive Order implementing increased tariffs on Brazilian-origin goods; signed a Proclamation regarding the imposition of Section 232 tariffs on copper and copper derivative products; and announced the imposition of additional tariffs on Indian-origin goods. We will address these developments in a separate memorandum.

U.S.- EU Cooperation Agreement on Reciprocal, Fair and Balanced Trade.

On July 28, 2025, President Trump announced that a trade deal has been reached between the United States and the European Union (EU), referred to as the "Cooperation Agreement on Reciprocal, Fair and Balanced Trade." The terms of the deal have not been released. A White House Fact Sheet provides the "framework" of the deal. The EU similarly published an FAQ, "EU-US trade deal explained." Both documents have differing terms, indicating the U.S. and EU have yet to finalize the final agreement. No joint statement, Executive Order (EO), or Federal Register notice (FRN) has been issued by the Administration providing the "official" terms of this deal, including the legal authority for these tariff changes.

Key Provisions from the White House Fact Sheet

Tariff Changes: EU Tariffs on US-Origin Goods

The EU will **remove all tariffs** on U.S. industrial goods, granting American manufacturers, farmers, ranchers, and fishermen increased export potential and access to millions of EU consumers.

Tariff Changes: US Tariffs on EU-Origin Goods

Across the Board 15% Tariff Rate

A tariff rate of **15%** will apply to imports of EU-origin products, including autos, auto parts, pharmaceuticals, and semiconductors. This is down from the 30 percent President Trump had threatened.

The US Fact Sheet is silent as to whether the 15% tariff is a reciprocal tariff which will be applied on top of the existing base rate of tariffs (most favored nation, or MFN, rate) currently applicable to EU-origin products, or whether it will instead take the place of the MFN rate and/or serve as the new combined MFN/reciprocal tariff rate.

However, according to the EU Fact Sheet, the 15% tariff is a change to the most favoured nation (base rate of duty). It is an "all inclusive" rate which represents "a ceiling…including the US most favoured nation (MFN) rate that was previously stacked on top of additional tariffs the US introduced." Per the FAQ, the 15% "ceiling" applies to "nearly all EU exports currently subject to reciprocal tariffs," except where the US MFN rate is higher than 15%, in which case "only the MFN tariff applies with no additional tariffs on top."

Further clarification may be provided in documents still to be issued, including an apparently upcoming joint EU-US statement regarding the deal.

Goods Subject to "Sectoral" Tariff Rates

Pharmaceuticals, Semiconductors, and Automobiles/Auto Parts

The US Fact Sheet states that EU pharmaceuticals, semiconductors, and automobiles and auto parts will be subject to a 15% tariff rate, without further explanation.

The EU FAQ, however, says the deal gives "immediate tariff relief" to EU cars and car parts because they're currently subject to a 2.5% base rate + 25% reciprocal tariff, and this will be lowered to an all-in 15% tariff. Additionally, the "15% ceiling" will apply to "any potential future tariffs on pharmaceuticals and semiconductors, including those based on Section 232." Under the EU's description of the framework deal, until the US decides whether to impose Section 232 tariffs, these goods will remain subject only to US MFN tariffs (currently zero on most pharmaceuticals). Then, once the Section 232 tariffs are imposed, the tariff will be capped at 15% for these products.

Again, further clarity will be provided by future issuances.

Steel, Aluminum, and Copper

The US Fact Sheet states that "the sectoral tariffs on steel, aluminum, and copper will remain unchanged—the EU will continue to pay 50% and the parties will discuss securing supply chains for these products."

By contrast, the EU FAQ states that "the EU and the US will establish tariff rate quotas for EU exports at historic levels, cutting the current 50% tariffs, while jointly ensuring fair global competition."

Further clarity is needed.

Tariff Stacking

There is no reference to tariff stacking in the US Fact Sheet, indicating that it is possible that if the 15% tariff rate is not an all-inclusive rate, the sectoral tariffs may be stacked on top of (in addition to) the 15% rate, at least for certain products; if importers pay both tariffs but the U.S. subsequently decides that only one is applicable, there may be an opportunity for importers to request refunds, – as previously allowed by the administration with respect to Section 232 tariffs and IEEPA tariffs on China, Canada, and Mexico.

"Zero For Zero" Tariffs on "Strategic Products"

According to the EU FAQ, as of August 1, 2025, US tariffs on aircraft and aircraft parts, "certain chemicals, "certain drug generics, and "natural resources" will revert to pre-January levels (i.e., there will be no reciprocal tariffs or Section 232 tariffs on these products), while the EU and US will keep working to add more products to the list. This is similar to (although not precisely the same as) European Commission President Ursula Von der Leyen's earlier statement that there will be "zero for zero" tariffs on "strategic products" such as aircraft and parts, certain chemicals, certain generics, certain agricultural products, semiconductor equipment, natural resources, and critical raw minerals. Further clarity will be needed on this point, as the US Fact Sheet does not contain any similar statement.

Massive U.S.–EU Commerce and Investment Flows:

The EU will *purchase $750 billion in American energy exports* and *invest $600 billion in the U.S.* through 2028.

Reform of Non-Tariff and Digital Barriers

Industrial Exports: The EU will work to reduce regulatory obstacles ("red tape") that hinder U.S. exporters.

Agriculture: Efforts will be made to simplify food and agriculture import requirements, including streamlining sanitary certificates for U.S. pork and dairy exports.

Digital Trade: Both parties will maintain *zero customs duties* on electronic transmissions, and the EU commits *not to introduce network usage fees*, benefiting U.S. tech and digital service providers.

Supply Chain, Economic, and Security Alignment

Rules of Origin: Strong origin rules will ensure only U.S.– and EU–origin goods benefit from the new agreement, preventing third-country circumvention.

Economic Security: Joint actions are planned to secure supply chains, review inbound/outbound investments, and enforce export controls as well as duty evasion measures.

Commercial and Military Deals: Notable additional commercial agreements include significant EU purchases of energy, semiconductors, and U.S. military equipment, further expanding export opportunities.

Effective Date

The necessary implementation documents (Executive Order, Federal Register notice from CBP, and/or CBP CSMS message) will likely set forth the effective date. The most likely effective date is 12:01 a.m. eastern daylight time on August 1, 2025, per the language in the postponement Executive Order and President Trump's statements that August 1, 2025, is the payment due date for the reciprocal tariffs.). However, we are awaiting guidance to see whether the tariffs due on August 1 will be the 10% baseline tariff currently in effect until the US-EU deal is finalized; the previous country-specific reciprocal tariff rate for EU-origin products of 20%; (c) the 30% rate threatened in President Trump's earlier tariff letter to the EU; or (d) the new 15% rate.

Ongoing dialogue is expected regarding unresolved sector tariffs and supply chain issues, with both sides committed to deeper cooperation across regulatory and security domains.

The following are Action Items for Clients:

- Reevaluate import/export operations and supply contracts for compliance with the new tariff regime and rules of origin.
- Capture new energy and manufacturing partnership opportunities supported by expanded U.S.–EU flows.
- Track implementation of regulatory and non-tariff barrier reforms to maximize EU market penetration.
- Seek legal counsel for guidance on staying compliant amid evolving customs, investment, and digital trade requirements.

Blanket (Baseline) Tariff Rate on Other Countries

President Donald Trump announced Monday that most trading partners which fail to negotiate individual trade agreements with the United States will soon face tariffs ranging from 15% to

20%. These rates represent a significant increase from the baseline 10% tariff introduced in April.

Trump told reporters that his administration plans to formally notify approximately 200 countries of the newly established "world tariff" rate in the coming days.

The previous memoranda sent discussing presidential actions regarding these fast-moving trade developments are:

1. American First Trade Policy, Jan. 20, 2025
2. U.S. Imposes Tariffs on Mexico, Canada, and China, Feb. 2, 2025
3. Update: U.S. Imposes Tariffs on Mexico, Canada, and China, Feb. 3, 2025 (Canadian/Mexican tariffs suspended; Effective date of 10% tariff on products of China and Hong Kong)
4. Update on Trade War, Feb. 5, 2025(China's Response to New U.S. Tariffs, Impacted Industries, Potential Forthcoming U.S. Trade Activity, and Tariff Mitigation for Machinery and Parts of Machinery for Agricultural and Horticultural Use)
5. Update on Trade War: U.S. Imposes Tariffs on Steel and Aluminum, Response from Targeted Countries, and China Imposes Retaliatory Tariffs, Feb. 12, 2025
6. Update on Trade War: U.S. Releases Lists of Additional Derivative Articles of Steel and Aluminum Which Will be Subject to Section 232 Tariffs, and Issues a Presidential Memorandum on Reciprocal Trade and Tariffs, Feb. 17, 2025
7. Update on Trade War: U.S. to Move Forward with 25% Tariffs on Mexico and Canada Products and Double Tariff on Chinese-Origin Products to 20%; Section 232 Investigation on Copper Imports; USTR Requests Comments, Feb. 28, 2028.
8. Trade War Update, U.S. Tariffs on Canadian and Mexican Origin Goods; Increase in U.S. Tariffs on China; New Section 232 Tariffs on Derivative Articles of Steel and Aluminum Go into Effect; Tariff Investigations on Timber, Mar. 4, 2025.
9. Trade War Update: New Section 232 Tariffs on Derivative Articles of Steel and Aluminum Go into Effect Today – March 12, 2025.
10. Trade War Update: U.S. Imposes Automotive Tariffs; "Secondary Tariffs" on Countries Importing Oil or Gas from Venezuela; CBP Issues FAQs on Steel and Aluminum Derivatives; April 2 Reciprocal Tariff Actions; and Anticipated Sectoral Tariffs on Pharmaceuticals and Lumber, March 29, 2025.
11. Reciprocal Tariffs and other tariff actions taken on Tariff Liberation Day, April 3, 2025.
12. Section 232 on Pharmaceuticals, Semiconductors, Critical Minerals, Electronic goods, FAQ; April 17, 2025.
13. Stacking Tariffs, De Minimis Changes, Auto Tariff Adjustments, Section 232 Inclusion Process, CBP's IEEPA FAQ Update, CBP Summit, and Potential 100% Tariff on Films May 7, 2025.
14. 90-Day Pause for 125% IEEPA China Tariff UK-US Fair Trade Deal, and Trade Negotiations with other Nations, May 12, 2025.
15. OFW Memo - Trade War Update CIT Ruling On IEEPA Tariffs and Subsequent Actions, June 2, 2025.

16. Section 232 Tariffs on Steel and Aluminum and their Derivatives Double to 50% Effective June 4, June 5, 2025.
17. Trade War Update: Terms of the U.S.-U.K. Deal and other Trade Updates, June 19, 2025.
18. US Trade Deals Announced with Indonesia Japan Philippines_July 25 2025.

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We will continue to monitor this situation closely and will report all significant developments. In the interim, please do not hesitate to reach out to us with questions or requests for additional information at Jessica Rifkin (jrifkin@ofwlaw.com) or Denise Calle (dcalle@ofwlaw.com).