

The US-EU Tariff War: From Cooperation to Confrontation

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1. Introduction

You've probably heard the word "tariffs" being thrown around quite a lot over the past month. Maybe you're not entirely sure what all the fuss is about – and that's exactly why you clicked on this article: to get a clearer understanding of what tariffs are, why they're suddenly dominating the headlines, and more importantly, how they affect you.

To explain the full story, we need to travel a few months back – and across the Atlantic Ocean to the United States. On 20 January 2025, Donald Trump was inaugurated for a second (non-consecutive) term as president of the United States. Since returning to office, he has made several controversial moves, but for the purpose of this article, I'll focus on just one: his decision to impose new tariffs on goods imported into the United States.

At this point, you might be wondering: what does this have to do with us, the citizens of the European Union? Quite a lot, as it turns out. In the sections that follow, I'll break down how these US tariffs are impacting the EU economy, what it means for European businesses and consumers, and how the European Union is responding to defend its industries – and its people.

2. Understanding Tariffs and Their Economic Impact

The definition of tariff is "a charge or list of charges either for services or on goods entering a country" (definition of [tariff](#) from Cambridge Dictionary). At first glance, this doesn't seem too problematic, right? However, the situation is more complex. Countries have limited natural resources, which means they must trade with others who have different resources to obtain the goods they need. In today's globalized world, this makes sense – if you want something, you buy it. Thus, if you want to trade with other countries, you establish favourable policies which make that easy and barrier-free as possible.

Historically, tariffs have been used to generate government revenue and protect domestic consumers from foreign products produced under less strict regulations. They can also protect domestic industries by making imported goods more expensive, encouraging people to buy locally and protecting domestic jobs.

However, the reality of tariffs is different. Tariffs are paid by the companies that bring the foreign goods into the country. Companies, of course, need to make profit and shift the costs of the tariffs to the consumer, ensuring they maintain their profits. As a result, it's the consumers who ultimately bear the cost of tariffs.

3. The Rise of Tariff Wars: Tariffs Imposed by the Trump Administration and the European Union Retaliation

In recent years, the use of tariffs has escalated as a political and economic tool, with the United States under President Donald Trump leading this shift. His “America First” policy aims to remedy his belief that the United States had long been treated unfairly in global trade agreements, and that foreign competitors – including traditional allies like the European Union – had taken advantage of US openness to markets while imposing barriers of their own.

In 2018, the Trump administration imposed tariffs on steel and aluminium imports, citing national security concerns. The move triggered reactions from trading partners worldwide. While tensions eased after President Joe Biden took office, Trump has decided to reignite the controversy in 2025 by bringing back those increased tariffs once again.

Here is a timeline of Trump’s 2025 tariff announcements and impositions related specifically to the European Union, along with the European Union’s responses:

- 10 February 2025: Trump announced plans to increase all [steel](#) and [aluminium](#) tariffs starting 12 March 2025;
- 18 February 2025: The European Commission [released an overview](#) of EU-US trade relations, covering key topics such as tariffs, trade balance and taxation;
- 12 March 2025: The new 25% tariffs on all steel and aluminium imports take effect, including for the European Union;
- 12 March 2025: The European Union [announced retaliatory trade measures](#) targeting US goods worth approximately EUR 26 billion (taking effect on 1 April 2025), including steel and aluminium, textiles, home appliances, agricultural products. Items like motorcycles, bourbon, peanut butter and jeans will be affected;
- 13 March 2025: Trump suggests a 200% tariff on European wine, champagne and spirits if the European Union proceeds with retaliatory tariffs it announced on the previous day;
- 20 March 2025: Commissioner-Designate Maroš Šefčovič [announced the postponement](#) of the European Union’s countermeasures against US metals tariffs to mid-April 2025, allowing time to reassess target goods and continue negotiations;
- 26 March 2025: Trump announces a 25% tariff on auto imports;
- 31 March 2025: The European Commission published [Implementing Regulation \(EU\) 2025/664](#), postponing counter-tariffs on US goods from 1 April to 14 April 2025. This delay, announced a few days earlier by Commissioner-Designate Maroš Šefčovič, will give the European Union time to reassess which US goods to target and allows for further negotiations and consultations with Member States;
- 2 April 2025: [Trump announces “reciprocal” tariffs](#), imposing a 10% baseline tax on imports from all countries, with higher rates for nations running trade surpluses with the US, including a 20% tax on the European Union;
- 5 April 2025: Trump’s 10% minimum tariff on nearly all countries and territories, including the European Union, takes effect;
- 9 April 2025: Trump’s higher “reciprocal” tariffs go into effect as of 12:01 am EDT (6:01 pm CET). Later that evening, [President Donald Trump announced a 90-day suspension](#) of those tariffs for most countries (China excluded), leaving only the 10% baseline tariff in place. This move came shortly after the new tariffs were initially set to take effect;
- 9 April 2025: In the morning, the [EU Member States voted in favour](#) of the European Commission’s proposal to introduce trade countermeasures against the United States. The earliest of those countermeasures is to take effect on 15 April; and
- 10 April 2025: President von der Leyen acknowledged President Trump’s announcement, decided to [delay countermeasures for 90 days](#) to allow for negotiations, but warned that further actions will follow if negotiations fail, with all options still under consideration.

In response to the US tariff measures, the European Union crafted a strategic set of countermeasures to safeguard its economic interests while avoiding an overly aggressive stance. They announced in early March the European Union's approach combined retaliatory tariffs with diplomatic efforts. The retaliatory tariffs were implemented in [two phases](#). The [first phase](#) reinstated tariffs imposed during previous trade disputes in 2018 and 2020, targeting iconic US products like Harley-Davidson motorcycles, bourbon whiskey, jeans and agricultural goods. These measures were specifically designed to impact US industries in politically sensitive regions such as Kentucky (known for bourbon) and Wisconsin (a hub for motorcycles), with the aim of pressuring US lawmakers and swaying public opinion against the Trump administration's policies. The [second phase](#) broadened these tariffs to cover a wider array of industrial and agricultural products, increasing pressure on the United States while staying in compliance with World Trade Organization (WTO) rules.

Simultaneously, the European Union pursued a diplomatic strategy, proposing a "zero-for-zero" tariff deal focusing on industrial goods such as cars, machinery and pharmaceuticals – sectors where both sides could benefit. This offer aimed to demonstrate the European Union's commitment to open trade while shifting the burden of continued conflict onto the US administration. Additionally, the European Union sought support from trade allies like China, Canada and Mexico to counterbalance the effects of US tariffs, while continuing to advocate for a multilateral, rules-based trade system at the WTO. The European Union's message was clear: it was open to negotiations but also prepared to defend its industries and values through carefully measured countermeasures if necessary.

4. Economic and Political Consequences for the United States and European Union

The tariff war between the United States and the European Union has had significant economic and political consequences on both sides of the Atlantic. For US businesses and consumers, the imposition of tariffs resulted in higher costs for imported goods, reducing competitiveness, especially in industries reliant on European exports like steel, automotive and agriculture. These increased costs were often passed on to consumers, leading to higher prices for goods like motorcycles, bourbon and electronics, impacting the American middle class. In the European Union, the economic strain was evident as European companies had to adapt to the rising costs of US imports. Many industries, particularly agriculture and manufacturing, faced reduced demand for their goods in the United States due to retaliatory tariffs, while some shifted their focus to other international markets to mitigate the impact. Despite these efforts, economic slowdowns were felt across the European Union, particularly in countries heavily reliant on exports to the United States.

Unintended consequences quickly emerged. Rather than revitalizing domestic industries as intended, tariffs contributed to job losses and economic slowdowns in both the United States and the European Union, as global supply chains were disrupted and investment decisions delayed. Politically, the disputes strained US-EU relations, fuelling protectionist sentiments while reinforcing the European Union's push for greater trade diversification and economic resilience.

The long-term implications of the US-EU trade war could reshape global trade dynamics, with lasting effects on both economies. As tensions over tariffs and trade policies continue, both regions may increasingly look to diversify their supply chains and reduce dependence on one another. The future of US-EU trade relations will likely involve more strategic negotiations, focusing on balancing economic interests while addressing new global challenges such as digital trade and environmental concerns. However, the need for cooperation and the potential for new trade agreements could pave the way for a more stable and mutually beneficial relationship in the years to come.

5. Conclusion

While the tariffs were intended to revive US manufacturing and reduce the trade deficit, their effect has been the opposite. Not only did they negatively impact the United States, but the entire global economy.

President Trump's tariffs on European imports had significant economic consequences for both the United States and the European Union. Following US tariffs on imports from the European Union, US businesses and consumers now face higher costs, reduced competitiveness and increased consumer prices. At the same time, as the European Union responded with tariffs on key US exports, targeting industries in politically sensitive regions, American exporters began to feel the pressure, facing declining demand, disrupted supply chains, and growing uncertainty. For EU consumers, the tariffs have led to higher prices on certain US goods, reduced product availability and increased market uncertainty. The economic strain caused by retaliatory measures led to job losses and slowdowns. Financial markets have experienced downturns worldwide, and there are growing concerns that these trade tensions could contribute to a global recession.

As for what happens next? Well, it's safe to say that US-EU trade tensions will continue to make headlines. Negotiations will probably be rocky – after all, based on what we've seen so far, President Trump hasn't shown much interest in striking mutually beneficial deals. I am sure that the European Union will try to defend its industries while also trying to keep global cooperation and trade ongoing. One thing is for sure: this isn't just yesterday's news - the impact of the tariff war will be shaping trade policies, political strategies, and even our everyday lives for a long time to come. So, stay tuned – the story is far from over.

IBFD references:

- EU tax law developments are reported on the daily IBFD [Tax News Service](#).
- For details on tariffs, see [W. Choi, United States - Business and Investment sec. 9., Country Tax Guides IBFD](#).