



The Art of the Deal

Time will soon start counting down to the August 1st self-imposed deadline for the EU & US to secure a trade deal. The stakes certainly seem high. Should the negotiations fail the US has threatened to impose 30% tariffs on Europe (10% currently), the EU preparing retaliatory measures hitting €94bn of goods imports and targeting US big-tech firms and services trade.

For all that, media reports had suggested a deal was reasonably close, the EU willing to accept the US' 10% baseline tariffs but seeking sectoral carve-outs for cars, pharmaceuticals and semi-conductors. Speaking this week President Trump said a deal was possible, but by saying pharmaceutical tariffs could be imposed by end-July, seeming to undermine the basis for one. Pharmaceuticals are key for Ireland, given they account for 75% of goods exports to the US.

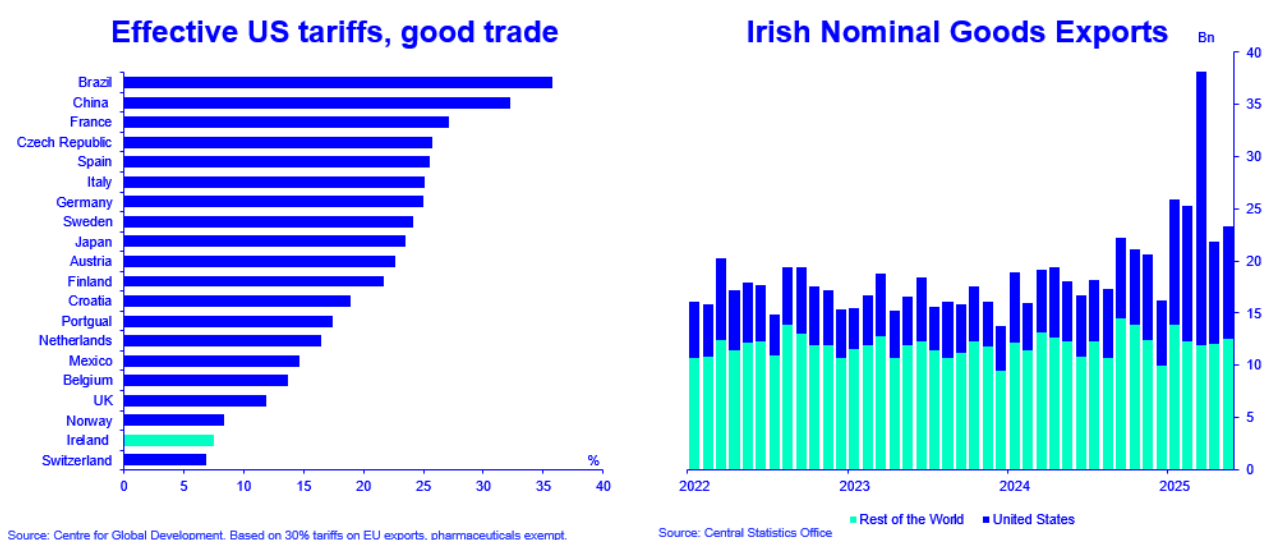
Time counting down to fresh August 1st 'deadline': Despite President Donald Trump's threat on July 13th to raise tariffs on the EU to 30%, it is worth remembering the only tangible policy change has been to extend EU/US negotiations beyond the previous deadline of July 9th. Speaking this week Trump said a deal was 'possible'. The Financial Times reported EU officials are willing to accept the United States' 10% baseline tariffs but are seeking to reduce the 25% on cars and secure guarantees the EU will be exempt from any future sectoral tariffs on semi-conductors or pharmaceuticals.

Ireland's effective tariff rates on US trade still relatively low: Goods trade with the United States accounted for 9% of Irish exports in 2024, of which the vast bulk (circa 3/4) were pharmaceuticals which are currently exempt from tariffs. So a small proportion of Irish exports (2-3%) are exposed to US tariffs and Ireland's effective US tariff rate is low compared with other European countries, 7.5% vs levels above 20% (see chart below). These figures are based on the assumption the 30% tariff rate comes into effect from August 1st, but crucially the exemption for pharmaceuticals remains intact.

Trump reiterates tariff threats on pharmaceuticals: Earlier this month President Trump said tariffs up to 200% could be imposed on pharmaceuticals, albeit with a 12-18 month lag. However, that the equity prices of large pharmaceutical companies were unmoved following the news suggests the threat was not seen as credible. Nonetheless, speaking this week President Trump said drug tariffs will be imposed “probably at the end of the month, and we’re going to start off with a low tariff and give the pharmaceutical companies a year or so to build, and then we’re going to make it a very high tariff”.

EU will target US big-tech firms in any retaliation: As negotiations have played out, the EU has prepared retaliatory trade measures; €21bn in retaliation for US steel tariffs but also additional tariffs on €72bn of goods imports including Boeing airplanes, cars and Bourbon whiskey. However, media reports this week indicate the EU will also target big-tech firms and the United States surplus in services trade. European Commission President Ursula von der Leyen has already said the EU will consider levies on the advertising revenues of digital streaming services.

Front-running of tariffs continued into Q2 2025: Irish goods exports surged to €89bn in Q1 2025, up 65% year-on-year (see chart below). This was entirely due to a 196% rise in Irish goods exports to the US to €51bn, which had been interpreted as firms front-loading trade to get ahead of expected tariffs. However, this activity looks to have continued into Q2. Goods exports in May were €23bn, still up 29% yoy, with those to the US up 89% to €11bn. Of course, these exports to the US were predominately pharmaceuticals, which were still exempt from tariffs in Q2, so firms would still have had an incentive to bring production forward.



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