Global Electronics Association™

The New Transatlantic Trade Agreement

Global Electronics Association | September 2025

On 27 July 2025, **European Union** and **United States of America** reached a political agreement on **tariffs and trade**.

The transatlantic partnership is a key artery of global commerce and is the most significant bilateral trade and investment relationship in the world. EU-U.S. trade in goods and services has doubled over the last decade, surpassing €1.6 trillion in 2024.

According to the agreement EU-U.S. tariff framework introduces, from August 1, 2025, a unified U.S. tariff rate of 15% on most electronics exports from the EU, thereby creating predictable but structurally higher costs in transatlantic trade.

HIGHLIGHTS

- Landmark Agreement but Unequal Gains: While the EU-U.S. tariff deal creates stability and predictability around their €1.6 trillion trade relationship, the terms disproportionately favor U.S. producers, offering tariff relief for U.S. industrial goods and select EU sectors but raising costs for most EU electronics exports.
- Unified 15% Tariff Ceiling on EU Electronics: Beginning August 1, 2025, most EU electronics exports to the U.S. face a unified 15% tariff. For European firms, this translates to about €9.8 billion in additional annual duties, raising costs for U.S. importers and consumers while undermining EU competitiveness against Mexico (protected under USMCA) and Asian exporters.
- Shift Away from WTO Principles: The agreement signals a move away from the World Trade Organization's "Most Favored Nation" rules toward a fragmented, politicized trade environment. This creates long-term uncertainty and risk for EU exporters, who must now navigate a further tiered tariff system where different trading partners face different U.S. rates.
- Strategic Imperative for Europe: The Global Electronics Association stresses the urgency of a comprehensive European industrial strategy for electronics. This includes investing across the value chain (from PCBs to advanced packaging), ensuring supply chain resilience, and using EU-level funding and procurement preferences to preserve competitiveness and autonomy.

EXECUTIVE SUMMARY

On July 27, 2025, the European Union and United States reached a landmark agreement restructuring tariffs across the world's largest trade and investment relationship. Most EU electronics exports to the United States now face a unified 15% tariff – introducing predictability but raising structural costs for European manufacturers. While the deal lowers duties on U.S. industrial goods and grants relief for some EU sectors such as automotive and aircraft, the overall framework disproportionately favors U.S. producers.

For European electronics exporters – already supplying €65.6 billion to the U.S. market in 2024, or 20% of their global sales – the new tariff regime adds roughly €9.8 billion in annual duties. This will increase costs for U.S. importers and consumers, while putting EU firms at a disadvantage compared to competitors from Mexico (largely exempt under United States-Mexico-Canada Agreement and Asia. The shift away from World Trade Organization (WTO) Most Favored Nation (MFN) principles signals a more fragmented, politicized trade environment, creating new risks for EU exporters.

The Global Electronics Association concludes that this agreement heightens the urgency for a comprehensive European industrial strategy on electronics. Investments in capacity, supply chain resilience, and full-value-chain incentives – from printed circuit boards (PCBs) to advanced packaging and system integration – are critical to preserve Europe's competitiveness and autonomy in the face of rising tariff barriers and intensifying global competition.

KEY COMMITMENTS

The Global Electronics Association has reviewed the European Commission's statements about the key commitments made under the agreement. These key commitments directly and indirectly affect the electronics industry in the main ways:

1. Establishes a single, all-inclusive U.S. tariff ceiling of 15% for the vast majority of EU goods, implemented as of 1 August.
   - The 15% ceiling applies to nearly all EU exports currently subject to reciprocal tariffs, except for situations in which the U.S. MFN tariff exceeds 15%, in which case only the MFN tariff applies, with no additional tariffs on top.
   - The 15% ceiling provides immediate relief on the import of cars and car parts, which have been subject to a tariff rate of up to 25%, with an additional MFN tariff of 2.5%.
   - The 15% ceiling will also apply to any future tariffs on pharmaceuticals and semiconductors, including those whose trade are currently governed by Section 232.
     - Until the United States decides on whether to impose additional tariffs on these products pursuant to Section 232, they will remain subject only to U.S. MFN tariffs.
2. Provides special treatment for strategic products.
   - As of 1 September 2025, the United States will apply MFN tariffs to EU aircraft and aircraft parts, select chemicals, select generic drugs and select natural resources.
   - This will provide immediate tariff relief for key EU industries, while the EU and United States negotiate adding more products to this list.
3. Elimination of already low duties on industrial goods.
   - The EU will seek to eliminate low-level MFN duties on industrial goods imported from the United States.

While the agreement restores stability and predictability for transatlantic trade, its terms may disproportionately benefit the United States.

THE IMPACT FOR EUROPEAN MANUFACTURERS

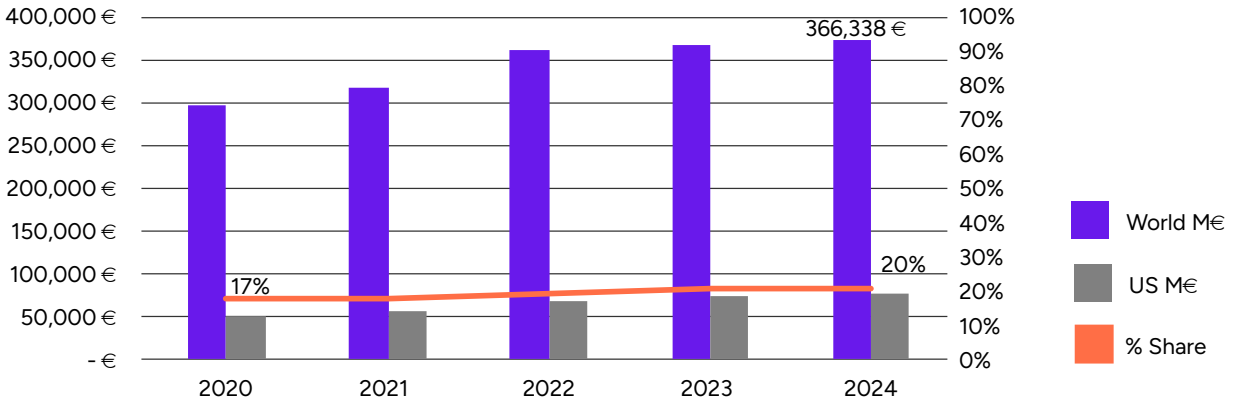
In 2024 the United States imported approximately €65.6 billion of electronic and electrical equipment from the EU, 9% of the total imports to the United States.[1]

The growing share of U.S.-bound electronics exports – from 17% in 2020 to around 20% in 2024 – amplifies the exposure of European manufacturers to American market and regulatory dynamics.[2]

1 Global Electronics Association. (2025, June). Interconnected: Global electronics trade in an age of disruption. Global Electronics Association. Exchange rate USD / EUR 2024 avg.

2 Eurostat. Based on the conversion of US imports (based on selected HS codes) into the CN classification. Deviations in numbers arise due to exchange rates and different recording methods for exports and imports.

EU Exports of Electronics and Electrical Goods, by Export Value and Destination, 2020-2024 (in millions of Euros)



A deeper analysis of U.S. import data (via tracking Harmonized System (HS) codes) reveals that a small number of items account for the majority of European export volume of finished goods and inputs to the United States. This concentration highlights a strong specialization and targeted demand for specific European technologies and solutions in the U.S. market.

Table 1: Select Leading Finished Electronic Goods Imported by the U.S. from the EU, ranked by import value, 2004 (in millions of Dollars)[3]

HTS6	Description	Country	2024	
901890	Instruments and appliances used in medical sciences, surgical sciences, dental sciences, or veterinary sciences, not elsewhere specified or included.	EU	$4.812	11%
853710	Control Boards and Panels for Electricity Distribution under One Thousand Volts	EU	$3.172	7%
850440	Static Converters and Direct Current Power Supplies	EU	$3.009	7%
851762	Machines for Reception, Conversion, Transmission, or Regeneration of Voice, Image, or Data	EU	$2.228	5%
847989	Machines and Mechanical Appliances with Individual Function Not Specified Elsewhere	EU	$1.879	4%
854370	Electrical Machines and Apparatus with Individual Function Not Specified Elsewhere	EU	$1.791	4%
847150	Digital Processing Units for Data Storage, Input, or Output	EU	$1.675	4%
901819	Electro-Diagnostic Apparatus for Medical Examination and Physiological Testing	EU	$1.656	4%
902140	Hearing Aids	EU	$1.288	3%
903180	Measuring and Checking Instruments and Machines Not Optical	EU	$1.222	3%
Remaining HTS Codes for Finished Electronics Goods			$22.296	50%
Total			**$45.027**	

3 Total may not add to 100% due to rouding.

Tables 1 and 2 show that the top 10 of the 200+ HS codes covering "finished goods" account for ~50% of the total import volume. The situation is similar for "input goods" (parts). Here, too, the top 10 account for a large share.[4]

Table 2: Select Leading Electronic Inputs Imported by the U.S. from the EU, ranked by import value, 2004 (in millions of Dollars)[5]

HTS6	Description	Country	2024	
854231	Electronic Integrated Circuits as Processors and Controllers	EU	$2.524	10%
850760	Lithium-Ion Storage Batteries	EU	$2.120	8%
848340	Gears and Gear Boxes for Machinery	EU	$1.627	6%
850300	Parts for Electric Motors and Generators	EU	$870	3%
853890	Parts for Boards, Panels, Consoles, or Electrical Control Equipment	EU	$831	3%
902790	Parts and Accessories for Physical or Chemical Measuring Instruments	EU	$805	3%
902190	Artificial Body Parts, Appliances, and Accessories	EU	$787	3%
841459	Fans and Ventilating or Recycling Hoods Without Built-In Filters	EU	$721	3%
853690	Electrical Apparatus for Switching or Protecting Electrical Circuits, Not Specified Elsewhere	EU	$615	2%
853650	Electrical Switches for a Voltage Not Exceeding One Thousand Volts	EU	$584	2%
Remaining HTS Codes for Electronic Inputs			$14.478	56%
Total			**$25.962**	

Applying a 15% U.S. tariff to these imports will result in approximately €9.8 billions in duties paid by U.S. importers, who are likely to pass the costs on to U.S. customers. For U.S. manufacturers, this will mean more expensive inputs and higher production costs. Consumers, in turn, will see an increase in prices for EU products and products containing EU inputs, which will put downward pressure in U.S. demand for European products.

Electronics-heavy categories– such as automotive and transport equipment (€70 billion in 2024 exports to the United States) – will likely see steep price hikes. Roughly 50% of an electric vehicle's value comes from electronics, meaning higher costs for European electronics and automotive producers alike. Other major categories of concern in the EU include medical and pharmaceutical products (€119.8 billion in 2024 exports to the U.S.) and mechanical/industrial machinery (€90.9 billion in 2024 exports to the U.S.).[6]

4 COMTRADE Database. Based on selected HS-Codes for electronic finished goods and parts.

5 Global Electronics Association. (2025, June). Interconnected: Global electronics trade in an age of disruption. Global Electronics Association. Exchange rate USD / EUR 2024 avg.

6 Eurostat. (2025, July 16). International trade of EU and non-EU countries since 2002 by SITC (dataset code ds-059331). Last updated July 16, 2025

U.S. tariffs only apply to products with EU origin (e.g., manufactured in the EU or products that have had a substantial transformation). Electronics from other origins, such as China, will be subject to U.S. tariffs for those countries of origin.

GLOBAL TARIFFS – THE NEW ENVIRONMENT FOR THE EUROPEAN ELECTRONICS INDUSTRY

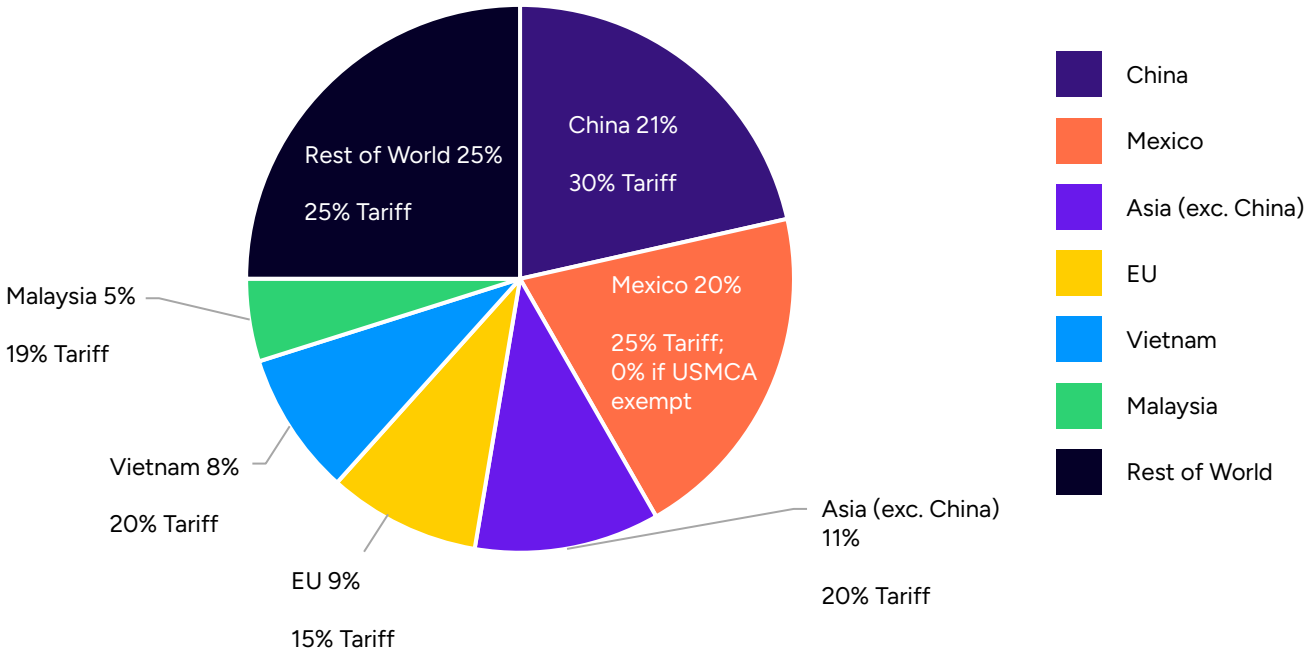
The current U.S. trade approach is a departure from the WTO's MFN framework, which for decades offered the promise of predictable, optimized and non-discriminatory cross border trade for international businesses. Under MFN, if a country lowered a tariff for one WTO member, it had to offer the same rate to all WTO members (e.g., if the EU would apply 0no tariffs to PCBs from Japan, then all WTO members would have receive the same treatment). Exceptions to the MFN principle are seen in Free Trade Agreements, a General System of Preference for developing countries and trade remedy measures (e.g., antidumping levies).

Whereas European electronics once competed on equal footing with those of fellow WTO members, EU manufacturers must now understand the tiered system of U.S. tariffs and the resulting impact on exports from countries globally. Negotiations between the United States and other countries are ongoing. The following table summarize the current landscape of likely tariffs:

Exporting Country	Expected Import Tariff Rate
China	30%
Mexico	25% (or 0% if USMCA exempt)
India	50%
Vietnam	20%
Taiwan	20%
Malaysia	19%
Thailand	19%
EU	15%
South Korea	15%
Japan	15%
UK	10%

The United States is a crucial export market for EU electronics exports, accounting for 20% of the regions electronics export volume. In turn, EU electronics goods represent 9% of all U.S. imports, making the EU the fourth-largest trade partner to the country by import volume. Asian trade still dominate U.S. electronics imports, with China and Taiwan together comprising one third of the total. Mexico, neighbor and the next leading trade partner, accounts for around 20% of U.S. import volume. Importantly, the 25% tariff applies only to electronics products not covered by USMCA.

Leading Countries for Electronics Imports into the U.S., 2024 (in % share of total electronics imports & % tariff rate)



As a highly globalized industry, the electronics sector is especially affected by U.S. tariffs. When evaluating the competitive landscape in relation to these tariffs, it is crucial to consider them in the context of numerous and often mutually reinforcing external and internal challenges. These factors strongly shape the competitive situation and, consequently, influence the strategic direction of companies within the industry.

A VIEW FROM EUROPE

The new 15% U.S. tariff on most goods imported from the EU will increase costs for European electronics products. Globally, the tariff regime is uneven: Asian countries, being larger exporters, are also subject to high U.S .tariffs, but it is likely that optimization of supply chains and government interventions will partially offset the impact. By contrast, Mexico, due to its special position under USMCA, can avoid tariffs if strict rules of origin are met — raising competitive pressure for EU manufacturers. The departure from the WTO's MFN principles creates a less predictable trade environment, forcing EU exporters to react swiftly and reassess their risk exposure in the U.S. market.

The electronics manufacturing sector in the United States faces a shortage of skilled workers, which is far from being mitigated by current education and training opportunities. This puts a cap on the country's of production capabilities and capacity which coupled with high domestic manufacturing costs, creates even more competitive pressures for U.S. electronics manufacturers. Therefore, offshoring productions in response to tariffs may be viable on very select circumstnces.

A view of European manufacturing conditions reveals that European electronics companies also face high costs, including energy expenses and stringent regulatory requirements, which limit their ability to offer flexible pricing compared to global competitors. Their strong reliance on global supply chains for critical components exposes them to additional geopolitical and supply risks. While companies elsewhere may benefit from lower input costs or favorable policy support, EU firms rely on advanced technology and reliability for differentiation. Still, overall cost pressures are increasingly undermining these traditional advantages and making it harder for European electronics companies to remain competitive in the global market.

CONCLUSION

The new transatlantic tariff landscape brings significant changes for the European electronics industry. The departure from a WTO MFN level playing field creates new competitive challenges: direct and indirect tariff pressures when entering the U.S. market, alongside the removal of tariffs for U.S. goods entering the EU. Added to this, some countries now enjoy a head start on U.S. tariffs, further constraining European manufacturers. These pressures come on top of existing burdens including higher energy costs than other regions and heavy regulatory and administrative requirements.

With competition in the global marketplace involving more variables than ever, success in the sector now depends on agile adaptation to tariff changes, supply chain optimization, and maintaining technical leadership. Under these circumstances a comprehensive European industrial strategy for electronics becomes an imperative. Stimulating investment and safeguarding the value chain are essential to preserve the EU's autonomy in the sector.

More broadly, electronics manufacturers need clear and consistent demand signals to justify new investments. As the EU continues to work toward greater strategic autonomy in critical sectors, adopting a full value chain approach is essential — particularly in the context of defence manufacturing. Procurement preferences that include critical electronics, from printed circuit boards to component and system level packaging, is foundational to this goal. Adequate funding through the European Competitiveness Fund for a bolstered European electronics ecosystem must be ensured. The new transatlantic deal should be understood as another compelling reason for the EU to intensify and accelerate these efforts.

METHODOLOGY NOTES AND DEFINITIONS

This analysis relies primarily on international trade data sourced from the United Nations COMTRADE Database, the most comprehensive global repository of official trade statistics. Maintained by the UN Statistics Division, COMTRADE collects and harmonizes trade data reported annually and monthly by national statistical authorities across more than 150 countries

Electronics Inputs: Includes semiconductors, sensors, circuit boards, connectors, displays, wiring harnesses, and other components essential to electronics assembly.

Finished Electronics: Includes consumer electronics (e.g., phones, computers, televisions), as well as industrial, medical, and telecommunications equipment

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About the Global Electronics Association

The Global Electronics Association is the voice of the electronics industry, working with thousands of members and partners to build a more resilient supply chain and drive sustainable growth. We advocate for fair trade, smart regulation, and regional manufacturing, and educate on industry practices, actionable intelligence and technical innovations to empower the future. The Association collaborates with governments and companies worldwide to advance a trusted and prosperous electronics industry. Formerly known as IPC, the organization serves a $6 trillion market and operates from offices across Asia-Pacific, Europe and North and South America. Learn more at www.electronics.org.