

Brussels offers US tit-for-tat car tariff cuts to break impasse

► EU considers tax on digital services ► Trump 30% levies against bloc loom

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The EU has reverted to offering the US tit-for-tat tariff reductions on cars, while preparing a list of potential levies including on American digital services as part of possible retaliation if trade talks with Washington fail.

Under the latest proposal from EU negotiators, the bloc would drop its 10 per cent duties on US car exports if the Trump administration reduced its own levies on the sector below 20 per cent.

The move is the latest attempt by Brussels to address the biggest stumbling block to an EU-US framework deal to stabilise the transatlantic trading relationship after Donald Trump's tariff assault. The US president has said that he will hit the bloc with 30 per cent tariffs from August 1.

Two people familiar with the talks said the US lowering its auto tariffs to a total of 17.5 per cent was being actively considered if the EU went to zero.

The EU's trade chief Maroš Šefčovič is in Washington for discussions with his US counterparts, but if talks on goods fail, then the bloc is considering expanding the trade war to services.

The list would come on top of a proposal for retaliation against €72bn of annual US imports that EU countries are already discussing, including tariffs on Boeing aircraft and bourbon.

A person familiar with the latest proposal said it would include levies on digital services.

Commission president Ursula von der Leyen threatened this action in an interview with the Financial Times in April, when she said: "An example is you could put a levy on the advertising revenues of digital services."

The US has a deficit in goods with the EU but a surplus in services, making it more vulnerable to retaliation in that sector. Bernd Lange, chair of the European parliament's trade committee, welcomed the move, pointing out that US tech groups "generate a lot of their income in Europe and the US has an annual surplus in services of about \$100bn".

The latest EU offer on cars is a shift in approach after weeks of torturous talks led by the German car industry.

Carmakers BMW, Mercedes-Benz, and Volkswagen — as well as Swedish group Volvo Cars — had pushed for a deal that would allow them to import a vehicle to the US tariff-free for each vehicle they export out of America.

But that idea has now been replaced by a proposal to offer a credit based on the US content of a company's exports from the US that can then be applied to the content that it is importing.

Even if tariffs were lowered to below 20 per cent, Håkan Samuelsson, chief executive of Volvo Cars, said the company would not be able to manage without export credits.

“It is Germany and Sweden who are big exporters of cars to the US,” he said. “No other country in Europe does this so we are a bit alone in the EU.”

Other significant issues still remain unresolved in talks. The EU wants an exemption from future sectoral tariffs promised by Trump on pharmaceuticals and semiconductors. It has also rejected a proposed 17 per cent tariff on its agrifoods. The commission declined to comment.