FLINT

FLINT GLOBAL FOR ENTERPRISE IRELAND: TRADE POLICY LANDSCAPE

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Flint Global team

Trade and Market Access

Trade wars, Brexit, supply chain disruption, digital protectionism, a global pandemic and war in Ukraine have created a turbulent operating environment for firms moving goods, services, data and staff in and out of Ireland, the UK, EU and US.

At Flint, we enable our clients to navigate this increasingly complex global trading environment, steer government policy, overcome regulatory and political barriers to trade, enter new markets, and achieve their commercial objectives.

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Sam heads Flint Global's trade and market access practice, and has significant experience advising companies, officials, and ministers on issues relating to EU-UK trade, Brexit and US tariffs. Before joining Flint, he was a senior research fellow at the Centre for European Reform, and a member of the UK government's Strategic Trade Advisory Group (2019-2020).

George Riddell

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George has 15 years of experience in International Trade. He joined Flint after 5 years advising multinational corporations and governments on their trade strategy at EY, and two further years as an Associate Director of International Trade at Deloitte. He previously worked at the UK Foreign and Commonwealth Office, including as a senior Trade and Economic Attache to the WTO and UN.

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A CHANGING GLOBAL ORDER

Economic security has become a central policy driver, driving governments to protect domestic markets and reshape global supply chains. This trend is being led by the US, where there is strong bipartisan support for measures to counter China, with Trump building on Biden-era 'America First' policies.

Other major blocs like the EU and China are also increasingly competing to safeguard their own strategic interests and pursue greater self-sufficiency. The EU, in particular, is pushing for greater *strategic autonomy* - aiming to reduce dependency on foreign suppliers for critical goods and technologies. This has ushered in a new normal of restrictive trade instruments, interventionist industrial policies, and ambitions for self-reliance across sensitive sectors.

This shift involves a delicate balancing act between national security and economic interests. While we continue to see tighter export controls and increased scrutiny over Chinese ownership of critical infrastructure, the EU remains cautious about adopting more aggressive measures, such as those seen in the US, that could harm long-term EU competitiveness or undermine its global trade commitments.

Trump's return to the White House has defined the early landscape of 2025, significantly disrupting the multilateral trading system to address 'unfair and unbalanced trade'. His administration has swiftly returned to leveraging tariffs as a tool to extract political and policy concessions, challenging long-standing norms of international economic cooperation.

STATE OF PLAY FOR IRELAND

The EU is facing new tariffs on its exports to the US. Tariffs are in force on steel, aluminium, automobiles, and auto parts, with additional national security investigations underway that could lead to future tariffs on other critical goods, including pharmaceuticals and semiconductors. The existing 10% reciprocal tariff on EU exports is set to double to 20%, if no agreement is reached ahead of the current 90-day pause.

While global attention has focused on US-China trade tensions, **the US-EU relationship also remains strained.** Trade negotiations between the two sides have been challenging, with different views on a future deal – the EU sees the continuation of the 10% tariff as unacceptable. President Trump has regularly publicly criticised the EU, recently referring to it as "nastier than China.", and accused Ireland of stealing the US pharmaceutical industry.

Trump maintains a negative view of the EU on trade, driven by long-standing grievances outlined in the "America First" Trade Policy Order. Key concerns that Trump will want the EU to concede on include trade imbalances, tariff disparities, other ‘unfair’ practices such as VAT and digital services taxes, and regulatory barriers stemming from EU legislation like the Digital Markets Act and Digital Services Act.

The EU is prepared to retaliate if negotiations fail. While the bloc is clear that a negotiated outcome is the priority, the EU has also published potential countermeasures to be introduced if no agreement is reached. These include new tariffs on nearly 5,000 US politically sensitive products, as well as export restrictions designed to limit the supply of basic inputs for US companies.

The EU is actively working to diversify its markets and deepen international cooperation. Recent interest in greater cooperation with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership highlights a broader strategy to expand global market access. The EU-UK Summit has reaffirmed this, while negotiations on FTAs with other partners, such as Indonesia and India, continue to progress.

EU PROPOSED RETALIATORY TARIFFS

Sector	Products
Aerospace	Aircraft and plane parts, helicopters, unmanned aerial vehicles.
Automotive	Cars, vans, lorries, tractors (including electric vehicles and Plug-in Hybrid Electric Vehicles); various parts and components such as engines, chassis, tyres, bumpers, safety seat belts, hydraulic fluids, car radios.
Pharmaceutical	Chemical and pharmaceutical products and appliances, including diagnostic kits (e.g. malaria, Zika), artificial joints, adhesive dressings, surgical gloves, syringes, needles, dental gloves, x-ray machines.
Electronics	Semiconductor printing and manufacturing machinery, parts and accessories; smartphones.
Batteries	Lithium cells, cathodes; waste and scrap from batteries and other electronic devices.
Food & Drink	Bourbon whiskey, wine, beer, other spirits (previously removed due to resistance from France, Italy, and Ireland); wide range of animal products, fish, fruits, and vegetables.
Metals	Iron, steel, and aluminium products.
Film & Media	Photographic and cinematographic film; TV and film cameras, projectors, screens, tripods, and related parts.
Industrial & Plastics	Industrial machinery, plastic products (e.g. tubes, valves, polypropylene); coal, paper, and glass products.

POTENTIAL SCENARIOS IN Q2

The 90-day reprieve to allow time for countries to negotiate a lower tariff rate is due to expire on 9 July. However, given this is an arbitrary deadline, it could be extended. This means if the US is not willing to lower/remove its tariffs on cars and steel, and future duties on pharmaceuticals, negotiations could drag out past the deadline.

Possible outcome (Q2 2025)

- **No deal (40%).** The EU and US fail to reach an agreement. This means that existing tariffs remain in place and future sectoral tariffs are applied as well as the reciprocal rate increasing to 20%. The EU now faces a 10pp higher baseline tariff than the UK. The EU imposes counter measures on US imports in response, with further US retaliation likely and the paused Boeing-Airbus trade dispute is re-ignited.

- **An agreement with limited tariff relief; EU concessions. (55%).** The US agrees to provide tariff relief from sectoral and/or selected baseline tariffs, either in the form of quotas, a level reduction, or a tariff removal, in return for EU concessions. This agreement could include similar UK-US commitments such as a TRQ on auto exports, and preferential treatment for future section 232 tariffs, including on pharmaceutical products. In response, the EU could agree to reduce tariffs on certain food products, complemented by commitments to buy more from the US in strategic sectors, such as energy. This could also include commitments to cooperate on 5G and 6G mobile networks as well as ‘strategic cooperation’ to address Chinese overcapacity in sensitive sectors, including steel, semiconductors and cars.

- **Comprehensive free trade agreement (5%).** The US and EU agree on a comprehensive free trade agreement, modelled on USMCA. This results in reciprocal tariff liberalisation as well as commitments on services, digital trade, etc.

OPERATING IN THE US IN PRACTICE

Ireland retains significant exposure to geopolitical turbulence with the US, well in excess of other EU Member States

EU exports of goods to the United States, 2024

	€ million	% of the United States in extra EU exports
Germany	161 215	22.7
Ireland	72 085	53.7
Italy	64 759	21.2
France	47 064	17.2
Netherlands	43 430	16.5
Belgium	32 958	20.2
Spain	18 179	12.3
Austria	16 218	25.7
Sweden	15 811	19.1
Poland	11 634	12.7
Denmark	8 522	15.3
Finland	6 972	23.0
Czechia	6 580	13.1
Portugal	5 318	23.2
Hungary	5 008	15.2
Slovakia	4 478	18.9
Greece	2 412	10.7
Romania	2 284	8.8
Lithuania	1 847	15.2
Bulgaria	1 082	7.0
Slovenia	941	2.9
Croatia	805	9.7
Estonia	714	15.0
Latvia	531	9.2
Luxembourg	423	14.5
Malta	268	15.3
Cyprus	53	1.9

Source: Eurostat

- Since returning to office, Trump has introduced a series of tariffs on Irish exports: a 25% duty on steel and aluminium (Section 232), a 25% tariff on automobiles and parts (Section 232), and a 10% baseline tariff on most other goods under the IEEPA 'reciprocal' tariff framework.
- The 10% reciprocal tariff on EU exports is set to double by 9 July if no deal is reached. Further tariffs, including on pharmaceuticals, are likely.
- Regardless of whether an EU-US trade deal is reached, Trump's agenda has made the US export environment more challenging. His push to onshore manufacturing has introduced new barriers, including stricter rules of origin and conditions tied to US tariff relief, such as compliance with the USMCA.
- The business environment is also becoming increasingly challenging for foreign companies operating in the US. Trump's proposed US tax bill could increase withholding taxes on payments from US subsidiaries to Irish parent companies and expand the scope of the Base Erosion and Anti-Abuse Tax tax. These changes could impact all Irish firms with US operations, even those previously unaffected.
- Trump has removed *de minimis* tariff exemptions (under $800) for China and plans to do so for all countries once new "adequate" customs processes are in place. This would raise costs and compliance requirements for Irish exporters, particularly in e-commerce and low-value goods.

THE IMPACT ON THE IRISH MARKET

Ireland's traditional role as a transatlantic bridge between the UK, US, and EU has shifted post-Brexit and amid rising US protectionism under Trump. It no longer benefits from preferential UK market access, and Trump's push to reshore manufacturing could see multinationals lured back to the US, potentially undercutting Ireland's low corporate tax.

The European Commission has identified Ireland's reliance on US trade and investment as a key economic risk. Its openness makes it especially vulnerable to prolonged US protectionism. Proposed tariffs and drug pricing reforms could significantly disrupt the pharmaceutical sector, with analysts warning Ireland may lose up to 25% of its manufacturing capacity.

If EU-US trade talks stall, the EU may explore alternative measures beyond tariffs that could further impact Ireland. In extremis, this could include measures targeting American technology firms.

The EU is also considering more targeted trade defence tools, such as product-specific rules of origin for goods subject to trade defence tariffs, initially focused on the auto sector but potentially expandable.

Trade tensions will likely trigger second-order effects. If US tariffs effectively block Chinese access to the American market, the EU may need to act to prevent trade diversion. The EU will face growing calls for safeguard measures, and has already moved more aggressively than the UK to restrict Chinese access.

WHAT THIS MEANS FOR COMPANIES

Monitor shifting EU-US trade dynamics, not only for their immediate implications but also for their broader influence on global trade policy — such as efforts to restrict Chinese content in key sectors like pharmaceuticals. These developments could reshape compliance requirements and market access across multiple jurisdictions.

Review your supply chains and partner networks to assess exposure to emerging trade risks, including tariffs, new rules of origin, regulatory divergence, and geopolitical instability. Early planning is essential to develop mitigation strategies that maintain business continuity, protect brand reputation, and preserve margins amid rising input costs.

Continue to review necessary customs arrangements including rules of origin, customs valuation and related procedures in light of shifting guidance from US authorities and other countries. Origin requirements may need to adjust sourcing, manufacturing locations, or product assembly strategies.

Mitigate cash-flow and other financial implications to offset potential tariff-related price increases.

Consider supply chain diversification where possible to reduce overreliance on single suppliers, products, or regions vulnerable to disruption. Expanding your sourcing and production base across more stable or strategic locations will enhance flexibility and resilience, especially as trade fragmentation continues.

Q&A