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TRADE

Letters from America: Trump's tariff saga continues

After Letter Day, echoing the original Liberation Day tariff announcements, so far 22 countries received a revised tariff rate effective 1 August. Trade negotiations can continue, but where this ends up is anyone's guess



For global markets and policymakers alike, the tariff saga is far from over

From ultimatums to extensions: a tactical delay

On 7 and 9 July, US President Donald Trump unveiled a [wave of tariff letters](#) via Truth Social, targeting trading partners with rates ranging from 20% to 50%, effective from 1 August. While the tone was uncompromising, the move effectively extended the previous 9 July deadline despite repeated assertions that no extensions would be granted.

This delay allows for continued negotiations, particularly with countries like [Japan](#), [South Korea](#), and Brazil which together account for 9.9% of US imports. Japan and South Korea have been assigned a tariff rate of 25%, which matches South Korea's previous rate on 2 April and raises Japan's by one percentage point, while Brazil received a staggering 50%, having received the minimum 10% levy before.

An executive order legally formalised the extension of the 'reciprocal' tariffs for all trading

partners, although China remains bound to the original 12 August deadline. Notably, the EU, which accounts for 18.5% of US imports, did not receive a letter and is now scrambling to secure a deal before the new deadline.

The BRICS factor, strategic trade shifts and legal uncertainty

Trump's latest announcements also include a 10% warning aimed at countries aligning with BRICS nations. This follows earlier threats of 100% tariffs should these countries [pursue de-dollarisation](#) or alternative currency systems. While enforcement remains vague, the geopolitical message is clear: alignment with BRICS could carry economic penalties.

Additionally, allies might find themselves caught between US demands and Chinese retaliation threats. As more deals near completion, with some potentially including clauses that effectively aim to isolate China, China has warned of "firm countermeasures" against perceived US encroachments. The 12 August deadline, which currently locks in lower tariff rates for both sides, still looms over US-China relations despite the framework agreement. While we don't expect a return of the escalation seen between February and April, tensions between both nations will continue.

Meanwhile, legal challenges to Trump's tariff authority under the IEEPA continue. A [key court ruling is expected in August](#), with potential implications for the longevity and scope of current tariffs.

Outlook: protectionism and uncertainty persists

Despite the flurry of outstanding negotiations, the US stance remains unchanged: protectionism is policy, not posturing. For us, the 10% baseline tariff rate remains the floor, while additional sector-specific tariffs are likely to be announced as soon as most deals are closed. President Trump already accoued a 50% tariff on copper as of 1 August and threatened 200% on pharma, but with a 1 to 1½ year accustomisation period for the latter.

The 10% tariff framework is likely to remain in place for any deal with the EU, eventually bringing the effective tariff rate to some 20%. At the same time, let's not forget that the ongoing uncertainty could do almost as much economic harm as the actual tariffs and could eventually lead to even more growing tensions and differing views within the EU.

In short, the letters may have bought time, but they've also reignited uncertainty. For global markets and policymakers alike, the tariff saga is far from over.

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