

Snap | 7 July 2025

UNITED STATES

Letter Day brings back the spirit of Liberation Day

US president Donald Trump has released a long list of new letters, bringing tariffs basically back to levels presented on 'Liberation Day'. Despite sending a take-it-or-leave-it tone, the letters actually represent a shift in the deadline from 9 July to now 1 August to still strike a deal with the US. So far, the EU has not received a letter



It's Letter Day and indeed it somehow follows in the footsteps of the old "red-letter day" tradition, which referred to an important and memorable day, even though often associated with a happy day. Only that today's Letter Day might not be that happy for some countries and financial markets, but it will be memorable.

After weeks of President Trump talking up his plan to send out letters with a "take it or leave it" tone, those letters have now landed on Donald Trump's social network Truth Social and consequently in many capitals' virtual mailboxes. These letters set tariff rates from 25% to 40% as of 1 August compared to reciprocal tariff rates ranging from 11% to 50% as of 9 July. The key trading partners receiving these letters are Japan and South Korea, both with a tariff of 25%. Interestingly, at time of writing this short note, the EU had not received a letter, yet.

The letters also warn against any retaliation, threatening to add any retaliatory tariffs on top

of the just announced tariffs. Also, the US administration announced that sectoral tariffs could still come on top of these announced new tariffs. As a result, 'Letter Day' brought world trade and tariff levels basically back to 'Liberation Day'.

From “no extension” to four more weeks: Trump shifts tariff timeline again

Even though Donald Trump's letters suggest a take-it-or-leave-it offer, the reality is that they have effectively extended the tariff deadline from 9 July to 1 August. Despite repeatedly insisting that no extension would be granted, the US administration has given countries another three weeks to finalise more (principle) trade deals – an acknowledgment that the ambitious goal of “90 deals in 90 days” has proven – unsurprisingly – unrealistic.

Unclear enforcement, clear intent: Trump's 10% tariff warning to BRICS

In addition, President Trump has threatened to impose a further 10% tariff on countries aligning with BRICS – recently expanded to the group of ten, namely Brazil, Russia, India, China, South Africa, Egypt, Ethiopia, Iran, Saudi Arabia, and the UAE. This follows a more severe warning issued back in December 2024, when he explicitly threatened BRICS nations with 100% tariffs should they proceed with plans to challenge the dominance of the US dollar by introducing an alternative currency and [de-dollarize further](#).

The specifics of how this policy would be implemented remain unclear though. Already as of 2 April, the US administration has enforced a 25% levy on any country purchasing oil from Venezuela. While India and China initially paused their imports in response to the threat, while Brazil continued buying, [recent data](#) indicates that China resumed purchases and accounted for most of Venezuelan oil exports in May and June. So far, there have been no reports indicating that China's renewed purchases of Venezuelan oil have triggered the imposition of the additional 25% US tariff on Chinese goods.

Our base case remains unchanged

The tariff rollercoaster ride continues. While the “letters” leave some more room for continued frontloading – although shipping times need to be considered – and negotiations, they also mean that the tariff saga continues. Let's simply not forget that the US administration also needs tariff revenues to at least partly finance its fiscal deficit.

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 will be closed. This scenario should at least hold for a 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

actual tariffs and could eventually lead to even more growing tensions and differing views within the EU.

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