Opportunity ahead for the UK following US tariffs?

Global trade today is changing so quickly that by the time this blog article is published, the factual detail contained in it may be out of date. In the wake of sweeping tariffs announced on 2 April by the US administration (and later modified on 9 April), the House of Commons' Business and Trade Committee (BTC) has published a draft 'Green Paper' with a 20 point 'agenda' on how the UK and the EU might reset their relationship for reciprocal benefit. The Green Paper comes in anticipation of the May 2025 summit between the UK Prime Minister Sir Keir Starmer and the European Commission's President Ursula von der Leyen and puts a renewed imperative on UK-EU legal and economic relations.

This is potentially for sound reasons. The EU remains by far the UK's largest trading partner for goods. In 2023 (the most recent full-year data available), the UK exported £60.4 billion in goods to the US and imported £57.9 billion. In the same period, the UK exported £185 billion in goods to the EU and imported £319 billion. Even allowing for the 'Rotterdam effect' (the fact that a proportion of UK exports destined for outside the EU are included in these figures because they are shipped via the port at Rotterdam), UK trade in goods with the US is significantly less than that with the EU.

Prior to the new US administration entering into power, the relative stability of global trade was broadly as a result of international compliance with the World Trade Organisation rules (including the General Agreement on Tariffs and Trade, 1994), which amongst many other objectives aimed to remove technical obstacles to international trade, to introduce standardised conformity assessment processes for imports, to prevent "dumping" of goods, to bind the tariff rates applied by signatory countries and to prevent the discriminatory application of tariffs.

The apparent volatility of the recent US administration's approach to adherence with the WTO rules now makes economic predictions for global trade difficult. However, we are writing as lawyers not economists; in this short blog we consider the wider legal issues regarding the BTC's Green Paper agenda.

A recap on the legal and regulatory framework for UK international trade: The EU and United States contrasted

The UK's trading relationship with the US and the EU differs in several key areas, including trade agreements, tariffs, regulatory standards, and market access.

Currently, there is no comprehensive free trade agreement (FTA) between the UK and the US. Instead, the two countries have engaged in discussions and informal agreements to enhance trade. Historically, negotiations have aimed to lower tariffs, improve market access, and address specific sectors, but these have yet to culminate in a formal agreement.

The UK and the EU established the Trade and Cooperation Agreement (TCA), effective on 1 January 2021, which allows for tariff-free and quota-free trade in goods, provided they adhere to rules of origin. While the TCA does not require the UK to conform to all EU regulations, it emphasises cooperation on standards, encouraging a degree of alignment where possible. However, new EU legislation in force such as the Forced Labour Regulation, the Deforestation Regulation and the Batteries Regulation apply to goods placed on its market, and impose financial and non-financial penalties on traders and operators for non-compliance with specified human rights and environmental supply-chain requirements. From a commercial perspective, UK companies may now weigh the additional cost of compliance with these new EU laws against the increased costs of trade (or the decreased profits) now associated with trade with the US.

Under the TCA, the UK and EU impose no tariffs on goods that meet the rules of origin requirements. However, customs checks have increased, leading to delays. Even before the US's recent escalation of tariffs on imports, specific sectors of the UK economy such as steel and aluminium were subject to tariffs due to previous trade actions. For example, UK steel faced a 25% tariff, which affects its competitiveness in the US market. The absence of a formal trade agreement means that tariffs can be introduced or adjusted *ad hoc*. That is exactly what happened when the US administration announced blanket 10% US tariffs for the UK on 2 April as part of global measures. This was followed on 9 April with a 90-day pause in the more stringent tariffs originally imposed on 60 or so other countries. As a result, a "universal 10%" levy will be in place for most countries during this moratorium (unless revised).

The TCA allows for some cooperation on regulatory standards, particularly in areas such as product safety, environmental standards, and labour laws. However, the UK can diverge from EU regulations, leading to potential regulatory differences over time. The UK and the US have different regulatory frameworks, particularly in areas such as food safety, environmental standards, and data protection.

The UK Trade Remedies Authority (TRA) is a key institution established to protect UK businesses from unfair trading practices and to ensure a fair trading environment particularly in sectors vulnerable to foreign dumping and subsidisation, such as steel, textiles, and manufacturing. The TRA was created to investigate and make recommendations on trade remedy measures, such as anti-dumping and countervailing duties, in response to practices that harm UK industries. For example, on 17 March 2025 the TRA launched an investigation into imports of Hydrotreated Vegetable Oil (HVO) biodiesel from the United States. This was prompted by concerns that these imports may be sold at unfairly low prices or subsidised, potentially harming UK biodiesel producers and adversely impacting domestic industry dynamics. The TRA can also recommend safeguard measures when a sudden surge in imports threatens to harm a specific industry. These measures temporarily restrict imports to stabilise the market.

The historic impact of US tariffs on the UK

Even before the recent spike in tariffs, UK-US trade has not been without friction. The tariffs imposed by the US administration have already produced effects on the UK economy and supply chains of UK businesses as part of the "America First" trade policy. Notably, in March 2018, the US imposed a 25% tariff on steel imports and a 10% tariff on aluminium imports, citing national security concerns. The administration also initiated tariffs on a wide range of goods imported from China, which escalated into a trade war affecting global supply chains.

The following are some of the more immediate shocks for the supply chains of UK businesses to date and which serve as predictors for the future unless some order and rationality prevails:

First, there have been increased costs for UK exporters of steel and aluminium faced with increased costs when trying to sell their products in the US market. For example, UK steel manufacturers, like Tata Steel and British Steel, reported challenges due to the tariffs, citing reduced competitiveness in the US compared to domestic American producers.

Second, the tariffs created barriers for UK companies seeking to enter or expand in the US market. As a result, the trade deficit may have widened for the UK, with US imports remaining steady while UK exports faced higher entry costs.

Third, the tariffs historically affected global supply chains, leading to increased prices for raw materials. UK businesses reliant on imported steel and aluminium from the US or other countries faced rising costs, which may not have all been passed on to consumers.

When considering sector-specific impacts the UK automotive sector, including companies like Jaguar Land Rover and Mini, felt the effects of tariffs indirectly. Steel and aluminium tariffs raised production costs, and uncertainty over trade relations led to concerns about investment in the UK manufacturing base. The US imposed tariffs on various food and agricultural products, including whiskey, which affected Scotch whisky exports. The US is a key market for Scotch, and the tariffs led to a decline in sales, prompting concerns about long-term market competitiveness.

The BTC Proposals and trade

Of the 20 points in the BTC Green Paper, five themes emerge with direct trade impacts. Without going as far as rejoining the Customs Union or the Single Market – both currently ruled out by the UK Government – the proposed smaller steps could materially improve the UK's trading and security relationship with the EU.

Security and Economic Defence Cooperation

The proposed EU-UK security pact could significantly strengthen the UK's position in international trade negotiations, particularly when dealing with countries like China. This could also give the UK an opportunity to participate in the EU's rearmament programme and provide a boost to the UK aerospace industry. By coordinating approaches to unfair trade practices with the EU, the UK may be expected to achieve more leverage and could better protect its industries from subsidised competition and forced technology transfers.

Energy Cooperation

Reconnecting electricity trading systems and developing a shared Carbon Border Adjustment Mechanism would have major trade implications:

- The North Sea wind farm development could boost UK energy exports.
- A shared carbon border mechanism would prevent carbon leakage while maintaining competitive balance.
- Energy market integration could lower costs for UK businesses, enhancing their export competitiveness.

Goods Sector Transformation

There is a package of proposed measures that directly address some of the most significant post-Brexit trade barriers:

- An ambitious SPS (Sanitary and Phytosanitary) agreement would reduce trade friction for agricultural and food products.
- Customs cooperation overhaul would reduce delays and paperwork costs at borders.
- Rejoining the Pan-Euro-Mediterranean Convention promises to simplify rules of origin documentation, making it easier for UK goods to qualify for preferential tariff treatment.

Regulatory Alignment

There are also proposals for compatible regulatory frameworks and mutual recognition of conformity assessments. While some doubt whether these proposals will become a reality, in principle they would reduce duplicate testing and certification requirements, lower compliance costs for exporters and provide businesses with greater regulatory certainty for long-term planning.

Services Trade Support

Services are typically more challenging to accommodate within FTAs and are poorly covered under the WTO/GATT. The effects of accepting different regulatory standards are real (e.g. healthcare mistakes which cost lives). Services liberalisation can be challenging where professionals are organised and politically motivated.

For the UK's crucial services sector, the proposed measures would provide:

- Secure data flows through a permanent adequacy agreement.
- Enhance opportunities for financial services through regulatory cooperation.
- New skilled labour mobility through professional qualification recognition.
- Support for youth exchange and talent development through a mobility scheme.

Conclusions

While globalisation of trade and protectionism is not new, the geopolitical order is being shaped at unprecedented speed, in an unprecedented manner and the impacts are asymmetric. It is not only the ubiquity, and the sheer scale of the latest US tariff measures that are striking; it is the lack of any discernible and coherent justification under the WTO rules for the announced tariffs.

The Green Paper’s agenda provides a timely opportunity for calm and rational reassessment of the UK’s position with its largest and closest trading partner. Overall, the BTC proposals represent a pragmatic approach to deepening UK-EU cooperation in areas of mutual benefit while preserving the UK's autonomy. If implemented in undiluted form, the legal benefits could significantly reduce trade friction and increase market access, potentially boosting growth in key UK export sectors.

The approach appears focused on practical, targeted measures rather than wholesale single market reintegration, suggesting a careful balancing of economic benefits with political constraint.

Interested parties have until 27 April 2025 to respond to the proposals.

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