

# U.S.-U.K. TRADE DEAL: LIMITED WIN AMID BIGGER DISCUSSIONS

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The Trump administration announced a new trade deal with the U.K. this month, amid ongoing uncertainty around tariffs. We believe the deal is limited in scope and economic impact and could prove to be a unique situation between the U.S. and the U.K.

The agreement keeps in place the 10% baseline tariffs announced on April 2. However, previously, British car imports were subject to a 25% tariff and the deal now subjects the first 100,000 vehicles to a reduced 10% tariff. "The U.K. sent about 100,000 vehicles to the US in 2024, so the deal will effectively cap imports at close to those levels, as any additional vehicles each year are subject to 25% rates," points out Sebastian Vismara, Head of Economic Research for the BNY Investment Institute.

Also expected are exemptions for steel and aluminum, but details are still being negotiated. The U.K. government said tariffs on steel and aluminum will be reduced from 25% to 0%, although this will only apply to an undisclosed volume of U.K. exports to the US.

In return, the U.K. agreed to remove a range of market access provisions such as removing non-tariff barriers on machinery, chemicals, agriculture products and other goods, for a total of \$5bn U.S. exports. "This is a small number and could be spread over a number of years," notes Vismara.

As for pharmaceuticals, which has been an area of contention, there was no additional clarity on whether the U.K. can expect tariff exemptions.

## Limited in Scope

Vismara considers the deal limited in scope and economic impact. "To put the deal in perspective, the U.S.' effective import tariff rate with the U.K. is now likely around 11%, down from 13% before the announcement, but up from 1% last year," he says. "If Trump were to place 25% tariffs on pharmaceuticals in the future, as he has said he would, that would add another 3 percentage points or so and take the US effective import tariff rate with the U.K. to around 14%."

Overall, the biggest news within the U.S.-U.K. deal was the U.S.' refusal to reduce the 10% baseline tariff, potentially establishing a tariff floor for future trade deals. This is a clear signal that the President views the baseline tariff as non-negotiable and suggests tariff rates at double digits for the foreseeable future, suggests Vismara.

“President Trump wants to show his administration is making progress on trade discussions and likely views the U.K. as an early win,” says Vismara. The president pushed back when asked if this deal should be considered a template for other trade deals.

In other developments, shortly after the U.S.-U.K. deal was announced, the Trump administration announced that the U.S. and China will lower tariffs for 90-days on each other’s products, as negotiations continue. During this period the U.S. is reducing its levies from 145% to 30% and China dropping its duties from 125% to 10%. Meanwhile, the U.S. has announced 50% tariffs on EU products, but that implementation date was pushed back until July 9.

See more views on tariffs in our reports, [A U.S.-China Tariff Pause](#) and [All Eyes on Fiscal Intervention](#).

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