

Business and Trade Committee

US Economic Prosperity Deal

Tenth Report of Session 2024–26

HC 1306

Business and Trade Committee

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Summary

The United States is the UK's largest single trading partner accounting for 18% of total UK trade, £315 billion in 2024, and the two countries have £1.2 trillion invested in each other's economies.¹ In the first half of 2025, however, the US began to implement its "America First" trade policy, imposing a 25% tariff on steel, aluminium and derivative goods; a 25% tariff on all automotive goods; and a 10% baseline tariff on most other UK goods.²

On the 8 May 2025, the UK became the first nation to reach such an understanding with the US culminating in the announcement of the General Terms of the Economic Prosperity Deal (GT-EPD). This was described to us by figures in industry as "the very best deal that the UK could have hoped for under the circumstances."³

We must acknowledge, however, that UK exporters are now trading with our most significant single trading partner on terms which are worse than before President Trump came to office. Because ministers have neither published an economic impact assessment – or set out a framework for assessing potential impacts, it is not yet possible to quantify the economic loss or gains arising from the GT-EPD.

While implementation of some aspects of the agreement has commenced, many of the UK's critical industries - steel, aluminium, and pharmaceuticals – remain in a state of uncertainty over future tariff regimes. It is also now clear that the UK has secured less favourable terms for some sectors than those negotiated by the EU. Furthermore, the future timetable for implementing measures agreed under the GT-EPD remains unclear.

Taken together, these risks are increasing uncertainty for business. Uncertainty risks hurting, not helping, the appetite of business and investors to invest.

We welcome the Government securing swift tariff relief for key sectors under the GT-EPD and acknowledge the progress made in challenging circumstances. However, it is however now vital that Government maximises pressure on the United States—beginning and following the President's State Visit—to agree final terms for a lasting, Economic Prosperity Deal to

1 UKT0061 – Department for Business and Trade

2 US Trade Tariffs, House of Commons Library, Wednesday, 18 June 2025

3 Oral evidence taken on 3 June 2025, [Q222](#)

end the threat of future sectoral tariffs, maximise predictability and that where the UK has secured terms which are second best to the EU, we aim to improve them.

We must now turn paper promises into a binding bargain.

For the future, the UK Government should now task the Industrial Strategy Council with convening business and industry partners to craft an ambitious vision for future US-UK cooperation to create a bolder vision and bigger prize for closer UK and US trade – not least to discourage further unilateral trade policy by the United States that damages us both.

We must approach the EPD not merely as a trade arrangement, but as a component of our broader economic and foreign policy strategy. The UK should underpin our trade strategy with a deeper US-UK partnership that helps safeguard Western leadership over China in the race for technological supremacy. We must bring together our industry, research and university and investment communities around missions to help achieve this goal.

Finally on a day-to-day practical level, we now need a clear timetable for talks to drive forward digital trade and AI along with standards in the fields of economic security, labour standards, procurement, regulatory cooperation on SPS and mutual conformity standards, and tax.

The GT-EPD is a welcome first step, but only a durable, mission-led Economic Prosperity Deal can provide the certainty UK businesses need, the predictability investors require, and the strategic alignment our partnership with the US demands.

1 Introduction

1. In the first half of 2025, the US imposed a 25% tariff on steel, aluminium and derivative goods; a 25% tariff on all automotive goods; and a 10% baseline tariff on most other UK goods. On 8 May 2025, the Government published the “General Terms for the United States of America and the United Kingdom of Great Britain and Northern Ireland Economic Prosperity Deal” (GT-EPD), reducing, but not eliminating a range of tariffs and establishing a framework for future cooperation.⁴
2. The GT-EPD is an important step in de-escalating trade tensions and restoring predictability to UK–US trade. The new tariffs secured by the UK are lower than those applied to some other trading partners, but they created significant disruption for UK industry and significant uncertainties remain for many industries. Though limited in scope and not legally binding, it provides a framework for targeted tariff relief, structured dialogue, and the possibility of a comprehensive Economic Prosperity Deal in future.⁵

Our Inquiry

3. The Committee launched this inquiry to understand the policy and strategic aims underpinning the Economic Prosperity Deal on both sides of the Atlantic and to examine the specific measures agreed under the General Terms, including market access, regulatory cooperation, and strategic alignment. As part of the inquiry, the Committee held an oral evidence session on 3 June 2025, hearing from senior representatives across key export sectors.⁶ We also received written evidence from a range of stakeholders, including business groups and academic experts.⁷ The Committee’s visit to Washington DC from 9 to 10 June 2025 provided valuable insights through meetings with senior figures in the White House, across Congress, the Office of the U.S. Trade Representative, and key industry stakeholders. We are grateful to all those who contributed to our

4 [US-UK Economic Prosperity Deal \(EPD\) - GOV.UK](#)

5 In a [letter](#) on the 26 June 2025, The Government told this Committee they are “continuing negotiations towards a legally binding framework for the EPD.”

6 Witnesses included Russell Codling (Tata Steel), Andy Richardson (Special Melted Products), Murray Paul (Jaguar Land Rover), George Drakos (Bridgnorth Aluminium), David Exwood (National Farmers Union), Paul Kenward (ABF Sugar), Steve Bates (BioIndustry Association), Simon Thomas (Paragraf), Sabina Ciofu (techUK), and Jonathan Legh-Smith (UKQuantum).

7 [UK trade with the US, India and EU - Committees - UK Parliament](#)

work, and in particular to the staff of the British Embassy in the United States for their support during the visit. Since returning, the Committee sought urgent clarification from the Government on key issues, reflecting the quickly changing trade policy landscape in which this inquiry has taken place.

2 Understanding US Trade Policy

US economic policy

4. The principal historian of US commerce, Douglas Irwin once observed that American trade policy “has always been controversial because there are clashing economic interests at stake”. Historically, US trade priorities cycled through three objectives: raising revenue, protecting domestic producers, and negotiating reciprocal agreements to reduce barriers and expand exports.⁸ Today, American policy is more complex because it appears the Administration is seeking to pursue all three objectives simultaneously, wrapped in a fourth objective: national security.
5. During our time in Washington DC, the Committee met with senior Administration officials at the Council for Economic Advisors, the United States Trade Representative (USTR), Committee on Foreign Investment in the United States (CFIUS), policy advisors, think tanks and our diplomatic team to understand American trade policy objectives. Our conclusion is that the Administration sees the revival of US manufacturing as central to its goal of strengthening national security, and trade policy as a critical tool to achieving this aim.
6. In his 2025 Inaugural Address, President Trump pledged to restore the US to a “golden age” by making “America a manufacturing nation once again”.⁹ In remarks in Detroit, in July 2025, the United States Trade Representative Jamieson Greer echoed these ambitions, stating that “a robust manufacturing sector ensures socio-economic success, protects our national security, and rewards our economy with innovation”.¹⁰ Ambassador Greer highlighted three metrics of success: reducing the US goods trade deficit (discussed later in this Chapter), raising median household incomes, and increasing manufacturing’s share of GDP.¹¹

8 [Clashing over Commerce](#); A History of U.S. Trade Policy, Douglas A. Irwin, University of Chicago Press, 2017

9 [The Inaugural Address – The White House](#)

10 [Remarks at the Reindustrialize Summit in Detroit](#), Ambassador Jamieson Greer, 16 July 2025

11 [Remarks at the Reindustrialize Summit in Detroit](#), Ambassador Jamieson Greer, 16 July 2025

7. During meetings with the US Council of Economic Advisers, the Committee heard that increasing US manufacturing output would be achieved through a supply-side expansion aimed at powering non-inflationary growth. This supply side expansion rests on ‘levelling the playing field’ of international trade, cutting tax and red tape and creating energy abundance, which together will boost manufacturing exports. The US Vice President, JD Vance, summarised this vision at the American Dynamism Summit in March 2025, stating:

The Trump Administration’s great plan for staging the great American manufacturing comeback is simple. You’re making interesting new things here in America? Great. Then we’re going to cut your taxes. We’re going to slash regulations. We’re going to reduce the cost of energy so that you can build, build, build.¹²

8. During meetings in Washington DC, we heard these ambitions for a manufacturing revival are long standing and bipartisan. In April 2023, then US National Security Advisor Jake Sullivan warned that “the last few decades revealed cracks in [the] foundations” of the global economic order, as decades of liberalisation failed to deliver sustained improvements in living standards for many American households.¹³ At the same time, policymakers across Washington DC have become increasingly concerned about intensifying technological competition with China, viewing the need to secure strategic industries, reduce external dependencies, and maintain a technological edge as critical to US economic and national security.

‘America First’ trade policy

9. The recent re-calibration of US trade policy forms part of a broader reassessment of America’s role within the multilateral system, of which it was the principal author between the Bretton Woods Conference of 1944 and the end of the Cold War. President Trump argues that in this system, allies have relied too heavily on US defence, economic, and monetary leadership. In March 2025, for example, he warned that countries failing to meet NATO defence spending targets might not receive US protection.¹⁴ Many of America’s allies share this analysis. The German Chancellor Friedrich Merz, for example, recently acknowledged: “We have been free-

12 [Remarks by the Vice President at the American Dynamism Summit](#), J.D. Vance, The American Presidency Project

13 [Remarks by National Security Advisor Jake Sullivan on Renewing American Economic Leadership at the Brookings Institution | The White House](#)

14 [Trump suggests US may not defend NATO allies who don’t meet spending targets](#) The Guardian, 7 March 2025.

riders in the past... they're asking us to do more, and we are doing more."¹⁵
In response, NATO members agreed in June 2025 to raise defence and security-related spending to 5% of GDP by 2035.¹⁶

10. The same logic now underpins US trade policy. The Administration argues that the US has been "treated unfairly by trading partners, both friend and foe."¹⁷ The economic 'symbol' of this challenge is the large and sustained American trade deficit.¹⁸ In 2024, the US trade deficit, in goods and services, increased to \$918 billion, up \$134 billion from \$785 billion in 2023.¹⁹ The US trade deficit in goods reached \$1,211 billion in 2024.²⁰

Trade deficits

11. Macro-economists have different views about what causes trade deficits. In March 2025, Maurice Obstfeld, former IMF Chief Economist, presented what is arguably the consensus view when he said that "at the aggregate level a country's trade balance reflects the difference between its saving and investment."²¹ This follows directly from the national accounts identity: when a country invests more than it saves domestically, the gap must be financed by borrowing from abroad or attracting foreign capital, which appears as a trade deficit.
12. Obstfeld attributed the US's record trade deficits between 1998 and 2008 to several factors: a strong dollar in the late 1990s, China's WTO entry reducing global demand for US exports, and a surge in domestic consumption and real estate investment driven by the housing bubble.²² In contrast, US policymakers such as Peter Navarro and Robert Lighthizer

15 [Germany's Merz tells BBC Europe was free-riding on US](#), BBC News, 18 July 2025.

16 [The Hague Summit Declaration](#), NATO, 25 June 2025.

17 [Reciprocal Trade and Tariffs - The White House](#)

18 The trade balance is the difference between the value of exports of goods and services and the value of imports of goods and services. A trade deficit means that the country is importing more goods and services than it is exporting; a trade surplus means the opposite.

19 [U.S. International Trade in Goods and Services, December and Annual 2024](#), US Bureau of Economic Analysis

20 [U.S. International Trade in Goods and Services, December and Annual 2024](#), US Bureau of Economic Analysis

21 [The US Trade Deficit: Myths and Realities](#), Maurice Obstfeld, Brookings Papers on Economic Activity (BPEA) Conference Draft, March 27–28, 2025, Peterson Institute for International Economics, p.13

22 [The U.S. Trade Deficit: Myths and Realities](#), Maurice Obstfeld, Brookings Papers on Economic Activity (BPEA) Conference Draft, March 27–28, 2025, Peterson Institute for International Economics, p.52

have offered a different account which centres on structural trade distortions and an ‘unlevel international playing field,’ with Lighthizer warning the US is “trading its assets for short-term consumption.”²³

13. In published analysis prior to his appointment as Chief Economic Advisor to President Trump, Stephen Miran expanded on the analysis set out by Robert Lighthizer, US Trade Representative during the first Trump Administration, and attempted to “diagnose the economic disequilibrium in the terms of trade that underlies critiques of the current economic system”. He argues that US economic and military leadership are inseparable, and by underwriting international security, the US enables the dollar’s reserve currency status. However, this reserve status contributes to the persistent overvaluation of the dollar, with adverse consequences for the US industrial base and a widening current account deficit.²⁴ From this perspective, defence and trade imbalances are fundamentally linked, and tariffs are viewed not simply as economic instruments, but as necessary correctives to a broader strategic imbalance in the global order.²⁵
14. Treasury Secretary Scott Bessent has described this shift as “we’re in the midst of a great realignment ... and of Bretton Woods realignments coming in terms of global policy, global trade.”²⁶ This outlook informed one of the Administration’s first major actions: the launch of the America First Trade Policy.²⁷ The policy directed federal departments to investigate the causes of the “large and persistent” US goods trade deficit, examine unfair trade practices abroad (with particular emphasis on China), and assess the resilience of the US industrial base from both economic and national security standpoints.²⁸ This Trade Policy has quickly been implemented through a significant expansion of tariffs under existing national security authorities.

23 [The U.S. Trade Deficit: Myths and Realities](#), Maurice Obstfeld, Brookings Papers on Economic Activity (BPEA) Conference Draft, March 27–28, 2025, Peterson Institute for International Economics, p.2

24 While the dollar underpins US financial power and global reach, it also places upward pressure on the exchange rate. This makes US exports less competitive, lowers the cost of imports, and intensifies pressure on the domestic industrial base. Miran further contended that this dynamic, sometimes referred to as the “Triffin paradox”, risks reducing the United States’ share of global GDP and weakening its long-term economic leadership.

25 [A User’s Guide to Restructuring the Global Trading System](#), Hudson Bay Capital, November 2024

26 [Scott Bessent – Macro Maven](#), Capital Allocators, 4 November 2024.

27 [Presidential Memorandum on America First Trade Policy](#), The White House, 20 January 2025.

28 This was followed by a further [memorandum](#) requesting a “Fair and Reciprocal Plan” to counter non-reciprocal trading arrangements with trading partners by determining the equivalent of a reciprocal tariff with respect to each foreign trading partner.

US Tariff Increases

15. There are two principal means by which the President is implementing new tariffs on trade; Section 232 tariffs and tariffs under the International Emergency Economic Powers Act (IEEPA).

Section 232 Actions

16. Section 232 of the US Trade Expansion Act of 1962 authorises the President to impose trade restrictions on national security grounds. In March 2025, President Trump used this legal authority to place a 25% tariff on all steel and aluminium imports, citing the need to prevent “flooding the US market with cheap steel, subsidized by foreign governments.”²⁹ In June 2025, these tariffs were doubled to 50% for all trading partners except the UK which remained at 25%.
17. Using the same rationale, in early April 2025, the US also imposed 25% tariffs on cars, light trucks, and automotive parts, on the grounds that a resilient domestic automotive industry is essential to “meet national security needs.”³⁰ These actions were framed as necessary to protect US industrial capacity from “foreign... industries, bolstered by unfair subsidies and aggressive industrial policies,” at a time when domestic production had “stagnated.”³¹
18. A number of additional sectors are also being reviewed under Section 232 for potential implementation of tariffs, including copper, timber and lumber, semiconductors, pharmaceuticals, trucks, critical minerals and jet engines.³² These investigations could trigger further tariff increases or trade restrictions, heightening uncertainty for trading partners, including the UK.

Reciprocal IEEPA Tariffs

19. On 2 April 2025, the US announced a further set of tariff measures under the US International Emergency Economic Powers Act (IEEPA), accompanied by the declaration of a national emergency linked to the country’s “large and persistent” goods trade deficit. A baseline tariff of 10% was applied to all countries, with higher rates proposed for those with whom the US runs its

29 [Fact Sheet: President Donald J. Trump Increases Section 232 Tariffs on Steel and Aluminum – The White House](#)

30 [Fact Sheet: President Donald J. Trump Adjusts Imports of Automobiles and Automobile Parts into the United States](#)

31 [Fact Sheet: President Donald J. Trump Adjusts Imports of Automobiles and Automobile Parts into the United States](#)

32 [Section 232 Investigations](#), Bureau of Industry and Security, US Department of Commerce

largest trade deficits. These measures were framed as ‘reciprocal’, with the stated aim of mirroring and counteracting foreign trade barriers applied to US exports.³³

20. However, the severity of the proposed tariff regime contributed to a sharp downturn in financial markets. A 90-day pause on tariffs was implemented, to allow time for negotiations with affected trading partners, and has since been extended to facilitate agreements.
21. The tariff regime has also faced legal challenges. On 28 May 2025, the US Court of International Trade ruled that the President had exceeded his authority in imposing these tariffs under the International Emergency Economic Powers Act (IEEPA).³⁴ On 28 August 2025, the U.S. Court of Appeals for the Federal Circuit, in a 7–4 decision, upheld the ruling, finding that tariff-setting is a “core Congressional power” and therefore outside the President’s mandate. The appellate court has paused its ruling until 14 October 2025, allowing the Administration time to seek Supreme Court review.³⁵ During our visit to Washington, we heard that alternative legal pathways are being explored to uphold or reintroduce the measures.

UK Response

22. According to official US trade statistics, the US maintains a goods trade surplus of \$11 billion with the UK: the UK has the deficit.^{36,37} As such, the UK is subject to the 10% baseline tariff introduced under the ‘reciprocal’ IEEPA tariff regime. Nevertheless, prior to implementation of the General Terms of the Economic Prosperity Deal, the UK was still subject to 25% tariffs on steel, aluminium and automotive exports, until the General Terms of the Economic Prosperity Deal were agreed.

33 [Fact Sheet: President Donald J. Trump Declares National Emergency to Increase our Competitive Edge, Protect our Sovereignty, and Strengthen our National and Economic Security – The White House](#)

34 [V.O.S. Selections, Inc. v. Trump](#), U.S. Court of International Trade, Slip Op. 25–66 (28 May 2025).

35 [Trump v. United States](#), U.S. Court of Appeals for the Federal Circuit, No. 25–1812, Opinion (29 August 2025).

36 U.S. Bureau of Economic Analysis (BEA), International Transactions, International Services, and International Investment Position Tables, Table 2.2: U.S. Trade in Goods by Country, <https://apps.bea.gov/iTable/?ReqID=62&step=2> (accessed June 2025).

37 Overall, the United States Bureau of Economic Analysis (BEA) reports a trade surplus of £11.8 billion with the UK. Interestingly, the Office for National Statistics reports that the UK has a trade surplus with the United States, of £77.9 billion. The ONS [notes](#) that “differences can be caused by a range of conceptual and measurement variations between the estimation practices of different countries.”

23. The Prime Minister and other Ministers and officials across government, have been engaging widely with business organisations and companies on US trade and tariffs.³⁸ On 3 April, in a statement to the House of Commons, the Secretary of State for Business and Trade confirmed that the UK had entered into “intensive discussions” with the US following the inauguration of the new US administration. He described the Government’s aim not simply as to:

avoid the imposition of significant tariffs but ... deepen our economic relationship on everything from defence, economic security, financial services, machinery, tech and regulation.³⁹

In oral evidence to this Committee, the Minister for Trade added: “It is a matter of record that we do not support tariffs, and they could potentially have damaging consequences on a number of economies”.⁴⁰

24. While the Secretary of State described negotiation as “the best route to serve British interests as an open-facing trading nation”, the Government launched a consultation with industry to gather views on possible retaliatory measures should they become necessary.⁴¹ In practice, the results of this consultation were not used, as the announcement of the General Terms of the Economic Prosperity Deal forestalled the need for such measures. On the 8 May 2025, the UK became the first nation to reach such an understanding with the US, culminating that announcement.

25. The UK has been steadily strengthening its trading relationship with the US since regaining independent control of its trade policy. In 2020, the UK and US began negotiating a free trade agreement (FTA), an early post-Brexit priority, but talks stalled over US demands on agriculture, concerns regarding Northern Ireland, and shifting US priorities under President Biden.⁴² In June 2023, the two countries agreed the Atlantic Declaration, establishing a framework for 21st-century economic cooperation built around five pillars: technology, economic security, digital transformation, clean energy, and defence collaboration. While negotiations in some areas have progressed, such as the UK-US data bridge that has been in force since October 2023, efforts to conclude a critical minerals agreement to support

38 UKT0061 – Department for Business and Trade

39 [Statement by the Trade Secretary on US Tariffs - GOV.UK](#)

40 Oral evidence taken on 21 January 2025, [Q33](#)

41 [Statement by the Trade Secretary on US Tariffs - GOV.UK](#)

42 [What is a trade deal? UK-US trade talks since 2020](#), House of Commons Library Research Briefing, 30 July 2025.

energy transition and supply chain resilience have stalled.⁴³ Since 2022, the UK has also signed non-binding memoranda of understanding (MoUs) with ten US states to reduce trade barriers and boost sectoral cooperation.⁴⁴

26. CONCLUSION

The United States is expanding the use of trade policy to advance its strategic and security objectives. It is therefore welcome that the United Kingdom has achieved the Economic Prosperity Deal representing a new phase of UK-US economic engagement.

27. RECOMMENDATION

The UK must integrate economic engagement with the US into our broader geopolitical dialogue and minimise the risks of ad hoc, zero-sum bargaining with a far larger partner by now turning paper promises into binding bargains. The UK should de-risk future volatility in US-UK trade by developing deeper long-term industry partnerships in priority Industrial Strategy sectors and maximising alignment in our shared economic security objectives. In particular it is important the UK leverages the potential for a deeper US-UK partnership to ensure Western leadership over China in the race for technological supremacy—particularly in AI and defence tech, de-risked supply chains, and greater security for supplies of critical minerals.

43 [What is a trade deal? UK-US trade talks since 2020](#), House of Commons Library Research Briefing, 30 July 2025.

44 [What is a trade deal? UK-US trade talks since 2020](#), House of Commons Library Research Briefing, 30 July 2025.

3 General Terms of the Economic Prosperity Deal

28. On 8 May 2025, the Prime Minister and the President announced the framework for a UK-US economic deal, the General Terms for the Economic Prosperity Deal (GT-EPD).⁴⁵ This document sets out the shared intention of both countries to make bilateral trade “fairer, easier, and more substantial”.⁴⁶ Alongside the GTEPD, both governments have committed to continuing discussions towards a transformative technology partnership. On 16 June, the Prime Minister and the President announced further progress towards implementing the automotive, beef and ethanol quotas described in the GT-EPD.⁴⁷
29. The General Terms of the Economic Prosperity Deal do not constitute a free trade agreement, rather, they represent a non-binding political framework. Both governments have explicitly stated that the GT-EPD “does not constitute a legally binding agreement” and may be terminated at any time with written notice.⁴⁸ However, the UK Government has told this Committee that “We are continuing negotiations towards a legally binding framework for the EPD.”⁴⁹

Contents

30. The GT-EPD sets out initial proposals for UK–US economic co-operation. At its core, the General Terms framework reduces tariffs in key sectors where the US had raised them, while also launching a wider programme of engagement aimed at closer regulatory and strategic alignment.
31. Several elements of the GT-EPD reflect US Administration priorities. For example, provisions on steel and pharmaceutical tariffs are explicitly tied to national security considerations, consistent with the administration’s broader focus on safeguarding critical sectors. Agricultural quotas for beef and ethanol align with longstanding US requests for improved access

45 [US-UK Economic Prosperity Deal \(EPD\) - GOV.UK](#)

46 [US-UK Economic Prosperity Deal \(EPD\) - GOV.UK](#)

47 [Update on the UK-US Economic Prosperity Deal \(EPD\) \(web accessible version\) - GOV.UK](#)

48 [US-UK Economic Prosperity Deal \(EPD\) - GOV.UK](#)

49 [Letter](#) from the Secretary of State to the Chair of the Business and Trade Committee, dated 26 June 2025

to UK agricultural markets. The GT-EPD also establishes areas for deeper cooperation on export controls, investment screening, procurement and labour standards, and intellectual property, each of which supports the US administration's efforts to reduce dependence on non-market economies.

32. UK interests are also represented. The removal, or potential reduction of tariffs subject to security conditions, on UK exports, including in automotive, aerospace, pharmaceuticals and metals provides commercial benefits. The UK has also retained regulatory autonomy in key areas, including its sanitary and phytosanitary (SPS) regime, and the GT-EPD outlines ambitious aims on digital trade, which will be beneficial for both partners as leading services exporters.
33. Despite the welcome for the deal, UK exporters are now exporting on worse terms than before President Trump took office and significant uncertainties now bedevil the future outlook for exporters to the US. Table 1 outlines the core provisions of this agreement as it stands.
34. The strategic advisory firm, Overton Advisory, described the deal as a “short term stabiliser”, and described the impact as “narrow, quota bound and reversible, but a commendable achievement during a period of global trade uncertainty”.⁵⁰ British American Business, the transatlantic trade association, highlighted to the Committee that

“UK businesses are still in a worse position than they were [prior to 2025]. UK exporters still face a minimum 10% tariff on nearly all exports to the US... It is also unclear how future US trade policy actions and developments, such as future outcomes of 232 investigations or court decisions on the legality of the tariffs imposed under the International Emergency Economic Powers Act (IEEPA), may affect the UK and the deal struck on May 8.”⁵¹

Economic Impact

35. Today's lack of clarity about the final agreement means that we remain unclear about the potential economic impact of the GT-EPD. The United States is the UK's largest trading partner accounting for 18% of total UK trade, £315 billion, in 2024 and the US and the UK have £1.2 trillion invested in each other's economies.⁵² Exports to the US amounted to £196 billion in 2024, of which £59 billion are goods now exposed to the risk of additional tariffs.⁵³ US goods exports are roughly equivalent to 2% of

50 UKT0022 – Overton Advisory

51 UKT0010 – BritishAmerican Business

52 UKT0061 – Department for Business and Trade

53 [US Trade and Investment Factsheet](#), Department for Business and Trade, 19 June 2025

national income - but lower than 4% for Belgium, 6% for Switzerland, and 15% for Ireland.⁵⁴ However, this aggregate picture masks acute sectoral risks. Tradeable manufacturing sectors are disproportionately exposed to tariffs, with pharmaceuticals, automotive and chemical industries facing the greatest vulnerability to shifts in US demand. These sectors employ a disproportionately high share of workers in the upper-middle part of the wage distribution, with many jobs concentrated outside London, in areas such as South Wales, the West Midlands, and Sunderland.⁵⁵

36. The Government has not published any figures estimating the macroeconomic impact of recent US tariff measures, but as one might expect, in oral evidence the Minister for Trade confirmed that such analysis does exist privately within Government.⁵⁶ The Office for Budget Responsibility (OBR) has published the effect of some hypothetical scenarios on the UK economy, with the most severe as a reciprocal 20 percentage point increase in tariffs between the US and the rest of the world, which lowers UK real GDP by 1%, with damaging consequent financial consequences.⁵⁷
37. The terms of the Economic and Prosperity Deal (EPD) are intended to mitigate some of the potential adverse effects of recent US tariff measures by securing preferential access for key UK sectors. However, there is limited evidence on the overall impact of the EPD, and the Government has not published any analysis of its expected effects.⁵⁸ Any attempt to quantify the economic impact would also be complicated by significant uncertainty, including around the tariffs UK exporters will actually face, the UK's relative advantage compared to competitors, and the outcome of any legal proceedings in the US.⁵⁹
38. Some early indicators are available. Recent data from the Office for National Statistics show that UK GDP grew by 0.3% in Quarter 2 2025, compared to 0.7% in Quarter 1 2025, so despite the turbulent trade environment GDP has continued to grow. However, this performance was partly driven by front-loaded exports ahead of tariff changes, while investment and private consumption remained subdued.⁶⁰ Survey evidence from Deloitte shows that heightened geopolitical uncertainty is weighing on business sentiment, but

54 UKT0046 – Deloitte LLP

55 [Trump Tariff turmoil](#), The impact of higher US tariffs and the risk of a global recession, Resolution Foundation, 14 April 2025

56 Oral evidence taken on 21 January 2025, [Q37](#)

57 [Economic and Fiscal Outlook](#), Office for Budget Responsibility, March 2025, Box 2.2, p.40

58 UKT0038 – Trade Justice Movement

59 UKT0047 – Centre for Inclusive Trade Policy

60 [GDP first quarterly estimate, UK: April to June 2025](#), Office for National Statistics (ONS), Statistical bulletins, published 14 August 2025

the perceived attractiveness of the UK as an investment destination has improved since Quarter 4 2024, with the UK, alongside India, now rated as the most attractive market for inward investment by UK CFOs.⁶¹

International Comparisons

39. In recent remarks, Governor of the Bank of England, Andrew Bailey, cautioned that the UK's competitiveness will depend on how its trade agreement performs relative to how other countries structure their trade agreements with the US.⁶² One important comparison is between the UK's terms under the GT-EPD and those secured in the recent agreement struck between the US and the EU.⁶³ However, understanding how US tariffs operate for individual products has become increasingly complex. As trade expert Sam Lowe observes, "One question fills all who advise on trade policy with dread: 'What is the US tariff on [insert product]?" Box 1 illustrates this complexity using a simplified example provided by Lowe, originally published in the Financial Times.⁶⁴

Box 1: What is the US tariff on beer?

Calculating the effective US tariff on a single product can be unexpectedly complex. Consider the case of importing canned beer from Belgium into the United States. At first glance, the calculation appears straightforward: the Most Favoured Nation (MFN) tariff on beer itself is 0%, and the current country-specific tariff applied to EU exports is 10%.

However, because beer is shipped in aluminium cans, the aluminium content may also attract an additional derivative tariff of up to 50%, depending on the country where the aluminium was "smelt and cast". Determining this origin can be challenging, as it may differ from the country where the can was manufactured.

Assuming the declared customs value of the shipment is \$1,000, made up of \$950 for the beer and \$50 for the aluminium cans, the total tariff would be calculated as: 10% of the value of the beer (\$95) plus 50% of the value of the aluminium cans (\$25). This produces a total tariff payable of \$120, resulting in an effective tariff rate of 12%.

61 UKT0046 - Deloitte LLP

62 [Bailey: Benefits of UK-US trade deal will depend on other agreements](#). City A.M. Published 9 May 2025.

63 [Joint Statement on a United States-European Union framework on an agreement on reciprocal, fair and balanced trade - European Commission](#)

64 [Trump tariff troubles, canned version](#), Financial Times, 24 July 2025.

This relatively simple example demonstrates the layered and interacting nature of US tariff policy, where effective rates depend not only on MFN schedules but also on preferential trade agreements, and the origin of inputs. The complexity has intensified following the US administration's recent expansion of punitive tariffs on more than 400 additional categories of finished goods containing steel or aluminium—including products such as shampoo in aluminium packaging, children's highchairs with metal parts, and garden furniture.⁶⁵ In response to this expansion, the Committee wrote to the Minister for Trade on 22 August 2025 seeking urgent clarification on the impact on UK exporters, and information on the Government response.⁶⁶

40. On 20 August 2025, the EU and US announced their Framework on an “Agreement on Reciprocal, Fair, and Balanced Trade”.⁶⁷ The agreement establishes a tariff for most EU exports to the US at 15%. Where the US Most Favoured Nation (MFN) tariff is 15% or higher, EU goods face only the MFN rate. Where the MFN tariff is below 15%, the US may apply additional Section 232 tariffs to “top up” the total rate to 15%. Some strategic sectors, including generic pharmaceuticals and aerospace, will return to their, lower, MFN level.⁶⁸
41. This provides EU exporters with added certainty over their maximum tariff exposure and reduces existing 25% Section 232 tariffs in some sectors. In exchange, the EU eliminated tariffs on industrial goods, lowered tariffs on agriculture (subject to quotas), and committed to procuring US liquified natural gas. It has also agreed to discuss non-tariff barriers and economic security issues, similar to the UK, and to take steps to reduce business burdens linked to the Deforestation Regulation, Carbon Border Adjustment Mechanism, and Corporate Sustainability Due Diligence Directive.⁶⁹
42. Importantly, the EU tariff is inclusive of the MFN tariff, meaning EU exporters face a single capped rate rather than cumulative duties. This contrasts with the UK's GT-EPD, which does not secure an equivalent ceiling. In some cases, UK exporters may face the 10% preferential tariff under the GT-EPD on top of the underlying US MFN tariff—meaning effective rates could exceed 15% in certain sectors. The Food and Drink Federation provided some examples in

65 [Department of Commerce Adds 407 Product Categories to Steel and Aluminum Tariffs](#). Press release, United States Department of Commerce, Bureau of Industry and Security, 19 August 2025.

66 [Letter](#) from the Chair of the Business and Trade Committee to the Secretary of State, dated 22 August 2025

67 [Joint Statement on a United States-European Union framework on an agreement on reciprocal, fair and balanced trade - European Commission](#)

68 Strategic sectors include aircraft, generic pharmaceuticals, and chemical precursors. These are exempt from reciprocal tariffs, and face MFN tariffs only.

69 [EU-US trade deal explained](#), European Commission Factsheet, 29 July 2025

agriculture, including tariffs on chocolate (UK:20%, EU:15%), ice cream (UK: 30%, EU:15%), soft drinks (UK: 20%, EU:15%), cheddar cheese (UK: 22% vs EU: 15%).⁷⁰

Implementation and Parliamentary Scrutiny

43. Implementation of some of GT-EPD has commenced but in the absence of a final agreement, implementation is taking place in a haphazard way that risks impairing effective parliamentary oversight and industry certainty. For example, on 26 June 2025, the Secretary of State told the British Chambers of Commerce Global Annual Conference that “there’s no doubt in my mind we can get progress on reciprocal [10%] tariffs”, suggesting this is still a UK aim.⁷¹ Regardless, in the absence of a final overarching agreement, the Prime Minister and President jointly announced initial implementation milestones for automotive, aerospace, beef and ethanol quotas in June 2025.⁷²
44. Quotas for beef and ethanol have now been implemented before the agreement is finalised. On 27 June, the Government has laid a statutory instrument to give effect to preferential Tariff Rate Quotas (“TRQs”) for beef and ethanol imported from the US and the related Rules of Origin requirements for determining qualifying goods. This instrument came into force on 30 June 2025.⁷³ In correspondence with the Committee, the Government acknowledged that this “will breach the convention that statutory instruments subject to the negative procedure should normally be laid before Parliament, and copies thereof provided to the Committee, at least 21 days before the instrument comes into force.”⁷⁴ In its letter, the Government stated that “by bringing the General Terms into effect as soon as possible, UK exporters will benefit immediately from the preferential terms of the EPD.”⁷⁵
45. Because the General Terms of the Economic Prosperity Deal do not constitute a treaty, it is not subject to the provisions of the Constitutional Reform and Governance Act 2010 and does not trigger the standard process for parliamentary scrutiny of international agreements. The Government has committed to “providing updates to the House on progress towards

70 UKT0042 - The Food and Drink Federation

71 [Britain confident of lowering Trump’s 10 percent tariffs](#), Politico, 26 June 2025

72 [Update on the UK-US Economic Prosperity Deal \(EPD\) \(web accessible version\) - GOV.UK](#)

73 [Letter](#) from the Secretary of State to the Chair of the Business and Trade Committee, dated 26 June 2025

74 [Letter](#) from the Secretary of State to the Chair of the Business and Trade Committee, dated 26 June 2025

75 [Letter](#) from the Secretary of State to the Chair of the Business and Trade Committee, dated 26 June 2025

the GT-EPD at regular intervals ... [and] Members of Parliament will have the chance to scrutinise the EPD when it is presented to the House”.⁷⁶

The Government’s Trade Strategy has also made further transparency commitments, including extending the statutory period for scrutinising trade deals from 10 to 20 sitting days.⁷⁷

46. On 9 July, the Committee wrote to the Secretary of State requesting further clarity on whether other elements of the GT-EPD would be introduced on a similarly piecemeal basis as the quotas for beef and ethanol. We also asked the Government to confirm that it will schedule a substantive debate in the House once the final legally binding framework is agreed, and before ratification.⁷⁸ Trade experts from the UK Trade Policy Observatory noted similar concerns about transparency, suggesting that using statutory instruments to enact tariff commitments are “difficult to identify” and it is “unclear how, whether and within what timeframe the UK intends to implement the remaining commitments under the GT-EPD, and how such measures will be subject to stakeholder input or Parliamentary scrutiny”.⁷⁹
47. In response, the Secretary of State reconfirmed that “Members will have the chance to scrutinise the EPD when it is presented to the House”, and that “any primary or secondary legislation required to implement an agreement will be subject to standard legislative procedures”.⁸⁰

76 [Letter](#) from the Secretary of State to the Chair of the Business and Trade Committee, dated 26 June 2025

77 UKT0061 - Department for Business and Trade

78 [Letter](#) from the Chair of the Business and Trade Committee to the Secretary of State, dated 9 July 2025

79 UKT0036 – UK Trade Policy Observatory (UKTPO)

80 [Letter](#) from the Secretary of State to the Chair of the Business and Trade Committee, dated 22 July 2025

48. CONCLUSION

We welcome the Government's work to date in securing swift tariff relief for key sectors under the GT-EPD and acknowledge the progress made in challenging circumstances. However, we must acknowledge that UK exporters are now trading with our most significant single trading partner on terms which are worse than before President Trump came to office. Because ministers have not published an economic impact analysis—or a framework for assessing potential impacts—we cannot yet estimate the economic loss or gains from the GT-EPD. While implementation of some aspects of the agreement has commenced, many of the UK's critical industries remain in a state of uncertainty about the future tariffs regimes they may face. It is also now clear that the UK has secured less favourable terms for some sectors than our much larger neighbours in the EU. Finally, the future timetable for implementing measures that might be agreed in the GT-EPD is unclear. Together, these risks are increasing uncertainty for business. Uncertainty risks hurting, not helping, the appetite of business and investors to invest.

49. CONCLUSION

We welcome the extension of the treaty parliamentary scrutiny period from 10 to 20 sitting days, as set out in the Trade Strategy. However, we regret that scrutiny of the GT-EPD are limited due to the trade-related provisions having been negotiated outside a formal treaty process, and that an economic impact analysis or framework has not been published. It remains unclear when the House will be able to debate the individual measures already implemented ahead of the finalisation of the Economic Prosperity Deal.

50. RECOMMENDATION

Going forward, we recommend the Government now maximises pressure on the US, beginning during and continuing after the President's State Visit, to agree final terms for a lasting, Economic Prosperity Deal that de-risks the threat of future sectoral tariffs, maximise predictability and that where the UK has secured terms which are second best to the EU, we aim to improve them.

51. RECOMMENDATION

We recommend that whenever the Government makes substantive trade commitments, whatever form this takes, it must ensure that they are subject to full parliamentary scrutiny.

52.

RECOMMENDATION

We further recommend that the Government set out, in advance of ratification, a clear timetable for parliamentary scrutiny and stakeholder engagement and of any implementing measures, so that Members and affected sectors can assess the implications of the deal before it comes into force.

53.

RECOMMENDATION

Given the significance of the Economic Prosperity Deal for UK trade policy, the Government must ensure that time is made available in the House of Commons for a full debate on a substantive motion.

Table 1: Summary of core commitments under the General Terms of the EPD

Theme	Sector	Commitment ⁸¹	Status ⁸²
Tariffs	Automotive	US to reduce S.232 tariffs of 25% to 10% subject to quota of 100,000 vehicles.	Implemented by end June.
	Aerospace	US will reduce tariffs to 0%, rather than 10% under the reciprocal tariff regime.	Implemented by end June.
	Steel & Aluminium	US to create a quota for UK steel and aluminium exports under reduced tariffs, subject to UK meeting security requirements.	Under discussion.
	Pharmaceuticals	US will consider preferential access for UK pharmaceutical exports, subject to Section 232 investigations into national security.	Under discussion.
	Agriculture	US will reallocate to the UK 13,000 mt of its existing “Other Countries” tariff rate quota, with an in quota tariff of 4%-10%. UK to create a quota for duty free (0%) US ethanol exports of 1.4 billion litres. UK to remove 20% on US beef exports, subject to 13,000mt quota.	Implemented by end of 2025.

81 [US-UK Economic Prosperity Deal \(EPD\) – GOV.UK](#)

82 [Update on the UK-US Economic Prosperity Deal \(EPD\) \(web accessible version\) – GOV.UK](#)

Regulatory Co-operation	Multiple	Increase agricultural co-operation, accord conformity assessment bodies, build Mutual Recognition Agreements and discuss international standards.	Under discussion
Digital Trade	Services	Facilitate paperless trade and digitalised procedures.	Under discussion
Economic Security	All	<p>Joint work on to address non-market economies through export controls, ICT security, investment screening.</p> <p>Discuss the implementation of UK and US respective procurement commitments.</p> <p>Combat tariff evasion through transshipment.</p>	Under discussion
Future Workstreams	All	“High standards” on intellectual property, labour rights, and environmental policies.	Under discussion

4 National and Sectoral Impact of the General Terms of the Economic Prosperity Deal

54. Although the Government has not published an economic impact of its own, the Committee has sought to gather evidence about the national, sub-national and sectoral impact of the GT-EPD.

Northern Ireland

55. Northern Ireland's trading position creates additional complexity when considering US tariff policy. As part of the UK, goods exported from Northern Ireland to the US should in principle receive UK tariff treatment under the UK-US GT-EPD. However, under the Windsor Framework, the open border between Northern Ireland and the Republic of Ireland allows the free movement of goods and people. While this facilitates trade on the island of Ireland, it also raises the possibility that exporters could route goods in either direction, from Northern Ireland into the Republic, or vice versa, to take advantage of differences between US tariffs applied to UK-origin and EU-origin goods. Deliberately mis-declaring the origin of goods would constitute a breach of customs law and should not be encouraged, but the potential for confusion is clear. The UK Government will need to support Northern Ireland exporters in particular to ensure they understand and comply with US rules of origin and are not inadvertently caught out by US customs authorities.⁸³

83 [Northern Ireland could be caught in the middle of Trump's EU tariff fight](#), Sam Lowe and William Haworth, PoliticsHome, 3 April 2025.

Sectoral Impacts

Automotive

56. The UK automotive industry is one of the country’s most significant manufacturing and exporting sectors, but it is also highly exposed to trade measures imposed by the US. According to the Society of Motor Manufacturers and Traders (SMMT), the sector supports more than 198,000 manufacturing jobs and over 813,000 across the wider industry.⁸⁴ The industry is overwhelmingly export-led. The US is the UK’s second largest export destination by volume, accounting for nearly 17 per cent of all UK vehicle exports, worth £7.6 billion. High value brands, including JLR, MINI, Aston Martin Lagonda, Lotus, McLaren, Rolls Royce, Morgan and Bentley Motors, are complementary to the US market and not seen as a direct competitor to US domestic brands, with UK-made cars typically representing less than 1% of all US new car registrations. However, for some UK car manufacturers, 30–50% of their production output is exported to the US, highlighting the importance of this market to production volumes and the overall health of the sector and its supply chain.⁸⁵

57. Murray Paul, Public Affairs Director, Jaguar Land Rover described the impact of tariffs on prices and competitiveness:

“Everybody in the motor industry has tariffs of some sort or some direction. While as a business we do not pass that all directly to the customer, there is a limit on how much we can do in the background to absorb some of that pricing. Some of it does, unfortunately, have to be passed on”.⁸⁶

If full US tariffs on UK exports had been implemented, maintaining 2024 export volumes would have incurred over £1.9 billion in import duties for UK automotive exporters or equivalent to £18,000 per vehicle. SMMT warned that the more likely outcome would have been a “near collapse of orders of imported UK vehicles” and noted that orders “plummeted immediately” after the initial tariff announcements.⁸⁷

58. Paul described the General Terms of the Economic Prosperity Deal as “the very best deal that the UK could have hoped for under the circumstances”.⁸⁸ Because “British luxury cars are not competing with US-built products and

84 [SMMT Motor Industry Facts 2024 - SMMT](#)

85 UKT0027 – Society of Motor Manufacturers and Traders (SMMT)

86 Oral evidence taken on 3 June 2025, [Q225](#)

87 UKT0027 – Society of Motor Manufacturers and Traders (SMMT)

88 Oral evidence taken on 3 June 2025, [Q222](#)

therefore do not substitute US-manufactured volumes”, they do not align with the national security rationale for automotive tariffs, which could therefore be reduced.⁸⁹

59. According to the SMMT, the UK exported more than 101,000 cars to the US in 2024.⁹⁰ Under the GT-EPD, the tariff reduction, from 27.5% to 10%, for UK automotive exports is capped by a 100,000-vehicle quota, which effectively limits future export growth to current levels. Murray Paul confirmed this drawback: “We would prefer for [the quota] to be higher. If we are honest, it is there or thereabouts what the current market volume is producing from the UK into the US. We expect that it will be administered fairly and, if there is a small amount of pain, it will be distributed equally among British manufacturers.”⁹¹ SMMT analysis shows that, assuming the entire quota is used, the expected liability for in-quota imports decreases to under £700 million, compared to an estimated £1.9 billion had full tariffs remained in place, under this system. However, because passenger cars were already facing a 2.5% standard duty, the expected additional duties for in-quota imports under the GT-EPD still amount to approximately £525 million compared to the pre-Section 232 scenario.⁹²

60. New trade data show rapid utilisation of the quota since its implementation on 30 June 2025. Between then and 28 August 2025, 13,303 UK-built units cleared US customs, using almost 20% of the annual quota within just eight weeks. On average, more than 1,600 units entered the US market per week since implementation, with shipments accelerating significantly in August to an average of over 2,000 units per week. However, Murray Paul also highlighted uncertainty around how the quota will be allocated. We were told

the US Administration are quite happy for the UK to administer how the quota is managed. While it has not been decided yet, most car manufacturers are advocating that we should take our percentage shares of 2024 sales volume into the US, apply that to the 100,000 and distribute it back out to the manufacturers, so you will essentially have an allocation to work within.⁹³

While the Committee recognises this is likely the fairest approach, the pace of quota usage highlights the risk of early exhaustion, which would cap UK automotive export growth and add planning burdens for manufacturers unless DBT provides clear guidance and active monitoring.

89 Oral evidence taken on 3 June 2025, [Q237](#)

90 [SMMT response to President Trump tariff news - SMMT](#)

91 Oral evidence taken on 3 June 2025, [Q238](#)

92 UKT0027 – Society of Motor Manufacturers and Traders (SMMT)

93 Oral evidence taken on 3 June 2025, [Q240](#)

61. CONCLUSION

We agree with the UK automotive industry that the tariff reductions secured under the Economic Prosperity Deal are to be welcomed, but the benefits are constrained by the 100,000-vehicle quota and uncertainty around how it will be allocated.

62. RECOMMENDATION

The Government must work with industry to closely monitor use of the 100,000-vehicle automotive quota under the GT-EPD, agree a clear, fair mechanism for its allocation and management, and, given the complementary nature of the US and UK automotive industries, ministers should advance arguments to expand the quota.

Steel and Aluminium

- 63.** The UK steel and aluminium industries are strategic foundations of the UK’s manufacturing base, supporting significant regional economic activity. According to Aluminium Federation UK (Alfed), direct aluminium production accounted for 16,500 jobs, with the wider industry supporting 108,000 jobs.⁹⁴ The US is one of the UK’s largest export markets, accounting for 10% of all aluminium exports in 2024, valued at around £225 million.⁹⁵
- 64.** The UK produced 4 million tonnes of crude steel in 2024, supplying around 30% of the UK’s annual demand of 9.2 million tonnes. The steel sector directly employs 36,800 people across the UK and supports a further 46,000 in supply chains. Wages in the steel sector are 24% above the UK median salary, and 33% higher than the regional median in Wales and Yorkshire and Humberside, where many steel jobs are concentrated.⁹⁶ In 2024, the UK exported around 180,000 tonnes of semi-finished and finished steel to the US, worth £370 million, equivalent to 7% of total UK steel exports by volume and 9% by value.⁹⁷
- 65.** As of March 2025, UK steel and aluminium producers face an additional 25% tariff to export to the US market. George Drakos, Director at Bridgnorth Aluminium told us “As soon as these announcements were made by the US Government, we stopped all business... a 25% tariff is not something that can work in our industry.”⁹⁸ Andy Richardson, Managing Director, Special Melted Products also warned that such uncertainty could have a real

94 [The Aluminium Industry in the UK | FAI](#)

95 [US Aluminium Tariffs Now in Effect as UK Industry Faces Heightened Risk of Trade Diversion - ALFED](#)

96 [UK steel braced to face shocking new 50% US tariff - UK Steel](#)

97 [UK steel braced to face shocking new 50% US tariff - UK Steel](#)

98 Oral evidence taken on 3 June 2025, [Q235](#)

impact on UK employment, stating: “I have significant concerns about job security for the people who work in my plant and other metals producers around the UK. These seismic events... are likely to be a catalyst for a recession in the metals industry.”⁹⁹

- 66.** On 4 June 2025, the US increased their tariff on steel from 25% to 50%, although the UK was exempt from this additional increase due to ongoing UK-US negotiations of the GT-EPD.¹⁰⁰ During our oral evidence, on 3 June, this exemption was not yet clear. Russell Codling, Director at Tata Steel, described the shock of tariff announcements as:

The 25% tariff, as it was applied earlier in the year, was a big shock to us. There have been market changes, agreements with customers and a resetting of the structure that we are in at the moment. The shock, over the weekend, of seeing 50% applied was really quite devastating, particularly to our ability to plan. Where do we go next? What is the future for our business? What is the future for our customers?¹⁰¹

- 67.** Stakeholders noted that the UK’s Trade Remedies Authority (TRA) has been slower to act than EU counterparts, leaving UK producers more exposed to sudden changes in global supply and pricing.¹⁰² As part of its trade strategy, the Government has responded to these concerns, announcing plans to expand the TRA’s powers to respond more quickly to unfair trade practices and to help guard against global turbulence in critical sectors such as steel.¹⁰³
- 68.** The GT-EPD may reduce some of these direct tariff risks. However, as Russell Codling told us, “the devil is in the detail in these agreements”.¹⁰⁴ While the General Terms sets out that a quota will be set up to reduce tariffs, significant details remain to be resolved including the size of the quota, which products will be eligible, when it will be implemented, and the specific conditions attached to qualify for reduced rates.¹⁰⁵
- 69.** The General Terms states that the quota for reduced tariffs for steel and aluminium products is dependent on the “security of supply chains... and nature of ownership of relevant production facilities”.¹⁰⁶ These conditions matter for UK industry. As one example, Russell Codling described US tariff actions as “driven by oversupply of steel in the world”.¹⁰⁷ A major US concern is that excess supply could be diverted to Britain and then enter

99 Oral evidence taken on 3 June 2025, [Q251](#)

100 [Tariffs Hub | Make UK](#)

101 Oral evidence taken on 3 June 2025, [Q233](#)

102 Oral evidence taken on 3 June 2025, [Q248](#)

103 [The UK’s Trade Strategy](#), Department for Business and Trade, June 2025, p.80

104 Oral evidence taken on 3 June 2025, [Q237](#)

105 Oral evidence taken on 3 June 2025, [Q235](#)

106 [US-UK Economic Prosperity Deal \(EPD\) - GOV.UK](#)

107 Oral evidence taken on 3 June 2025, [Q242](#)

the US under preferential terms, undermining its tariff policy and national security aims. To prevent this, one likely condition is that steel must be “melted and poured” -smelted in furnaces - in the UK. However, Tata Steel told us they are undergoing a “radical transformation” to produce steel using electric arc furnaces and, during this transition, must import semi-finished steel from the Netherlands, India and other parts of Europe.¹⁰⁸ Under a strict “melted and poured” rule, these imports would not qualify, leaving producers unable to benefit from tariff relief at a time when they are investing heavily to decarbonise production. Codling emphasised to the Committee that both the volume of the quota and the details of such conditions are “important to make this work for us.”¹⁰⁹

- 70.** Andy Richardson, Managing Director at Special Melted Products, also stressed that UK producers’ supply chains are closely linked to Europe, making the UK vulnerable to developments in the wider global trading environment: “Because Europe is being affected by the threat of a 50% tariff, our business activity in Europe is also significantly affected. For H2 this year, our business plan is something like 50% of our volumes into Europe compared with the first half of the year. The sooner we get clarity on the UK-US situation and the Europe-US situation, we will have clarity as to what our business plans will be for the second half of the year and, moreover, into 2026 and 2027.”¹¹⁰

Steel within finished goods

- 71.** On 18 August, the Department of Commerce announced the addition of 407 product categories to the list of “derivative” steel and aluminium products covered by Section 232 sectoral tariffs.¹¹¹ As a result, the steel and aluminium content of these products would be subject to a duty rate of 50%. While UK exports of these products are instead subject to a 25% rate (due to the UK’s exemption from the increase to 50%), this is still far higher than the baseline 10% tariff on most UK exports.
- 72.** As noted in Box 1 within Chapter 3, on 22 August 2025, the Committee wrote to the Government seeking urgent clarification on the status of the tariff applied to UK finished goods.¹¹² The Government’s response confirmed that tariffs of 25% apply to certain UK finished goods containing steel and aluminium under the scope of derivative products subject to Section

108 Oral evidence taken on 3 June 2025, [Q237](#)

109 Oral evidence taken on 3 June 2025, [Q242](#)

110 Oral evidence taken on 3 June 2025, [Q237](#)

111 [Adoption and Procedures of the Section 232 Steel and Aluminum Tariff Inclusions Process](#), Industry and Security Bureau, 18 August 2025

112 [Letter](#) from the Chair of the Business and Trade Committee to the Secretary of State, dated 22 August 2025

232 tariffs.¹¹³ It also explained that, in the majority of cases, tariffs apply specifically to the steel or aluminium content within the affected products, rather than their full commercial value. Nonetheless, there is considerable concern about the impact of these tariffs on derivative products, with Chartered Institute of Export & International Trade director general Marco Forgione saying on 20 August 2025 that “these new tariffs are a real concern, making it harder for UK exporters to plan with confidence”.¹¹⁴ The Construction Equipment Association also said that “major UK exporters could face additional costs running into hundreds of millions of pounds each year if duties are charged on the full value of machines”.¹¹⁵

73. CONCLUSION

While the General Terms of the Economic Prosperity Deal outline an intention to establish a tariff-reducing quota for UK steel and aluminium exports, no detailed agreement has yet been reached. Key issues remain unresolved including the size of the quota, which products will qualify and the conditions attached. This continued uncertainty is affecting planning and investment decisions in the sector.

74. RECOMMENDATION

The Government must maximise pressure on the US to minimise tariffs for UK steel and aluminium producers and work to ensure that any final agreement reflects the realities of UK supply chains and the sector’s transition to low-carbon production.

75. RECOMMENDATION

Furthermore, the Government must bring forward reforms to the operation of the Trade Remedy Authority in order to ensure that is capable of moving at the same speed as the EU in implementing trade defences against diverted products into the UK market.

76. RECOMMENDATION

The Government must also continue to urgently engage with UK industry, and the US administration, to understand and address the full impact of steel and aluminium derivative products being subject to a 25% tariff.

113 [Letter](#) from the Minister for Trade to the Chair of the Business and Trade Committee, dated 5 September 2025

114 [The Day in Trade: More products hit with US steel and aluminium tariffs, Reynolds to visit China and UK inflation rises | The Chartered Institute of Export & International Trade](#)

115 [CEA statement on new US tariffs affecting UK construction machinery exports](#)

Pharmaceuticals

- 77.** The UK pharmaceutical sector is also a major export sector, with the US consistently the largest single market for British pharmaceutical goods.¹¹⁶ In 2024, UK pharmaceutical exports to the US were worth over £6.6 billion, accounting for roughly 25% of all UK pharmaceutical exports.¹¹⁷ The UK is home to two of the world’s largest pharmaceutical companies—GSK and AstraZeneca—and numerous smaller companies active in R&D. Under the 1994 WTO Pharmaceuticals Agreement, signed by the UK, US, and EU, signatories agreed to eliminate tariffs on a wide range of pharmaceutical products and chemical intermediates. Despite this longstanding commitment, the US has launched a Section 232 investigation “to determine the effects on the national security of imports of pharmaceuticals and pharmaceutical ingredients.” This investigation could ultimately lead to new tariffs being imposed if pharmaceutical supply chains are deemed to pose a national security risk.
- 78.** Steve Bates, CEO of the Bioindustry Association, described the potential implications for the sector: “We have not operated in a tariff environment. We have existed under WTO tariff-free conditions. This is a very big change for our sector, which has big implications for patients and costs.”¹¹⁸ He added that “uncertainty has gone up. Much of biotech is based around venture capital. Venture capital firms have pulled their horns in.” He also noted that wider policy changes in the US, such as proposed drug pricing reforms, risk adding to this chilling effect.¹¹⁹
- 79.** Under the General Terms of the Economic Prosperity Deal, the US has agreed to consider preferential access for UK pharmaceutical exports, but this commitment remains conditional on the outcome of ongoing national security reviews. However, Steve Bates suggested that “It is quite hard for us to understand which of those conditions apply.” He emphasised that the sector also needs broader reductions in tariffs on scientific and medical products and components, rather than “simply pharmaceutical products and ingredients.”¹²⁰

116 [Growing Britain’s life sciences sector through international and trade policy](#), ABPI, January 2025

117 [UK trade with the United States: 2024](#), Office for National Statistics, 25 April 2025

118 Oral evidence taken on 3 June 2025, [Q259](#)

119 Oral evidence taken on 3 June 2025, [Q262](#)

120 Oral evidence taken on 3 June 2025, [Q296](#)

Aerospace

80. The UK aerospace sector is one of the country's largest advanced manufacturing industries, with strong transatlantic ties and significant exposure to US trade policy decisions. In 2024, UK aerospace exports to the US, including aircraft parts, engines and components, were worth an estimated £2.5 billion. The sector previously benefitted from tariff-free or low-tariff access under the WTO Agreement on Trade in Civil Aircraft, which liberalises trade in civil aircraft and related products among signatories.¹²¹ However, like pharmaceuticals, aerospace remains under investigation as part of the US Government's wider Section 232 reviews into national security and critical supply chains, which could ultimately lead to new tariffs being imposed.¹²²
81. Whilst not agreed in the initial GT-EPD, on the 17 June 2025, it was announced that the US would reduce tariffs on UK aerospace goods, such as engines and similar aircraft parts, from the 10% baseline tariff applied to other countries to zero. This came into force on 30 June 2025.¹²³ This demonstrates how the GT-EPD can be built upon to secure additional tariff relief and shows that the general 10% "reciprocal" tariff can be removed if the foreign policy and security conditions are met.

82. **RECOMMENDATION**

The Government should continue to press for clarity from the United States on the conditions attached to future preferential access for UK pharmaceutical exports, and, where appropriate, secure wider tariff relief for scientific and medical products. Given the positive outcome secured for the aerospace sector, the Government should seek a similar resolution for pharmaceuticals, recognising that both are traditionally tariff-free sectors.

Agriculture

83. In exchange for the removal of the 25% additional tariff on steel and aluminium, and a quota of 100,000 cars at a duty of 10%, the UK Government has made concessions on two sectors of British agriculture. Under the terms of the agreement, the US will gain access to the UK beef market through a new duty-free tariff rate quota (TRQ) of 13,000 tonnes (shipped weight) hormone-free beef. In return, the UK will gain ring fenced access of 13,000 tonnes (with an in-quota duty of 4%-10%) to the US beef

121 [WTO | legal texts - Agreement on Trade in Civil Aircraft](#)

122 [Section 232 Investigations](#)

123 [UK-US trade deal kicks into gear: immediate tariff cuts for UK auto and aerospace sectors - GOV.UK](#)

market.¹²⁴ The US will also have fully liberalised access to the UK bioethanol market. Remaining tariffs on other agricultural goods are unchanged, and the US 10% additional tariff continues to apply to all UK exports to the US.¹²⁵

- 84.** The National Farmers Union (NFU) characterised the agricultural component of the agreement as “an unbalanced deal” expressing concern that UK livestock and arable producers are being asked to “take a hit” in order to secure tariff reductions in other sectors, notably automotive and metals. The NFU acknowledged that negotiations are ongoing but urged the Government to commit that agriculture will not be used as a bargaining tool in future discussions aimed at removing the remaining 10% tariffs. The NFU further advised that the Government should “be prepared to walk away rather than risking the domestic food and farming sector.”¹²⁶
- 85.** Industry stakeholders further identified other areas for future negotiation. Pernod Ricard told the Committee in written evidence that the Scotch industry seeks a return to a ‘zero for zero’ agreement, citing the EU’s prioritisation of wine and spirits and the precedent of tariff-free trade from 1997 to 2018. They estimate current tariffs are costing the industry £16.5 million per month.¹²⁷ British Sugar indicated they would see value in a reciprocal low-tier (in quota) TRQ for 100,000 tonnes of refined white sugar under the US-UK trade deal.¹²⁸ Agricultural stakeholders also welcomed the decision not to liberalise sensitive sectors such as on egg products, pig exports and chicken exports but said additional safeguards may be required in any future discussions.¹²⁹ Sanitary and Phytosanitary standards (SPS) issues are considered in further detail in Chapter 5.

Beef

- 86.** Under the General Terms, the US has agreed to reallocate 13,000 tonnes of its “Other Countries” beef quota solely to the UK.¹³⁰ Previously, the UK could access a 65,005-tonne quota alongside Brazil. However, in 2025, Brazilian exporters filled the entire allocation just 17 days after opening due to the proximity of Brazil to the US. This left UK beef exporters facing a 26.4% tariff.¹³¹ The Agriculture and Horticulture Development Board suggests there is a good opportunity for UK exporters in the US market, as UK beef can be

124 A tariff rate quota (TRQ) is a trade policy that allows a specified quantity of a product to be imported at a reduced or zero tariff rate, while imports exceeding that quantity are subject to a higher, standard tariff rate.

125 UKT0023 - National Farmers’ Union (NFU)

126 UKT0023 - National Farmers’ Union (NFU)

127 UKT0011 - Chivas Brothers Pernod Ricard

128 UKT0016 - British Sugar plc

129 UKT0007 - Compassion in World Farming, UKT0019 – RSPCA, Q296

130 [US-UK Economic Prosperity Deal \(EPD\) - GOV.UK](#)

131 [The US imposes 10% tariff on all UK exports to the US | AHDB](#)

marketed as a premium product based on its high welfare and hormone-free credentials.¹³² The UK currently exports around 1,000–5,000 tonnes to the US, and therefore, if this quota were to be fully utilised, UK beef exports could triple.¹³³

87. In parallel, the UK will remove its existing 20% tariff on US beef and introduce a new tariff-free quota of 13,000 tonnes, equivalent to just over 1% of the UK beef market. The Government has confirmed that the UK's sanitary and phytosanitary (SPS) standards remain unchanged, meaning hormone-treated beef remains banned, discussed further in Chapter 5.¹³⁴
88. The US was described by David Exwood, Deputy President, National Farmers Union, as an “aggressive exporter of food”.¹³⁵ Therefore, the design and implementation of the quota will be important to safeguard the domestic sector. The NFU told the Committee they have “not seen the details (e.g. how it is going to be administered, what products/cuts are going to be included) but it is expected the quota will be used for high value cuts destined for the hospitality sector rather than retailers.”¹³⁶
89. Exwood told us that “if those 13,000 tonnes all came into the UK as fillet and strip loin, that would be our entire market in premium cuts. That could really displace the market.”¹³⁷ For example, the British Meat Processors Association (BMPA) estimates that UK produces around 3,900 tonnes of strip loins.¹³⁸ As a result, Exwood recommended stronger monitoring of beef trade flows, including consideration of anti-dumping measures, to ensure that the UK industry remains protected under this and other agreements, such as those with Australia and New Zealand.^{139 140}

Bioethanol

90. As with the beef quota, the UK agreed to reduce tariffs on bioethanol to secure tariff removal in other sectors. Bioethanol is a low carbon, renewable energy used in transport fuels to lower greenhouse gas emissions and

132 [Impact of UK-US deal on UK agriculture | AHDB](#)

133 [Impact of UK-US deal on UK agriculture | AHDB](#)

134 Oral evidence taken on 3 June 2025, [Q263](#)

135 Oral evidence taken on 3 June 2025, [Q268](#)

136 UKT0023 – National Farmers’ Union (NFU)

137 Oral evidence taken on 3 June 2025, [Q263](#)

138 [Impact of UK-US deal on UK agriculture | AHDB](#)

139 Anti-dumping measures counter dumping practices occurring when non-UK manufacturers sell their goods in the UK below the normal value (usually the sales price) on their domestic market. These measures are usually in the form of an ‘ad valorem’ tariff.

140 Oral evidence taken on 3 June 2025, [Qq269, 273](#)

improve air quality.¹⁴¹ Under the General Terms, the UK will lower its tariff on US bioethanol imports from 19% to 0% for volumes up to 1.4 billion litres. The US is the world's largest producer of ethanol, primarily made from maize grown abundantly in the Midwest 'corn belt' states, where extensive biorefinery infrastructure enables low-cost production for export. Between 2022 and 2024, the UK imported an average of 559 million litres of US ethanol annually, with the US remaining the largest import origin, followed by the Netherlands.¹⁴²

91. Until recently, the UK had two biofuel plants: Ensus, in Teesside, and Vivergo, in East Yorkshire, together supporting at least 300 direct jobs and around 6,000 jobs across the supply chain.¹⁴³ However, on 15 August 2025, ABF Sugar announced the closure of its Vivergo plant. The Food and Drink Federation told the Committee this “decision followed longer term issues around UK regulations being applied to favour foreign producers, which were exacerbated by the decision to remove tariffs on 1.4bn litres of US bioethanol coming into the UK market.”¹⁴⁴
92. The Committee took oral evidence from Paul Kenward, Chief Executive of ABF Sugar, in June 2025. He described the GT-EPD ethanol quota as having triggered a “full-blown crisis” for the industry. He told the Committee that the decision had been taken “without consultation and without an impact assessment... The Government gave away a 1.4 billion litre tariff-free quota for bioethanol. The size of the UK market is 1.4 billion litres. It is the same number. Our entire industry depends on the tariff to adjust for the fact that US bioethanol is heavily subsidised.”¹⁴⁵ In June, Mr Kenward reported that uncertainty had already led to staff resignations, with employees asking “why [they] would work for a business under such threat.”¹⁴⁶
93. Mr Kenward told us that the bioethanol industry does not seek revisions to the agreement itself but rather short-term Government support to maintain production as domestic demand grows and wider policy measures, such as the ULDUR and sustainable aviation fuel mandates, take effect.^{147 148} We heard estimates that this would require up to £75 million a year for up to two

141 Bioethanol is made from feedstocks such as wheat or sugar beet and is renewable because it can be constantly regrown, in contrast to fossil fuels which are finite and release damaging greenhouse gases when burnt.

142 [Impact of UK-US deal on UK agriculture | AHDB](#)

143 [About the British Bioethanol Industry](#)

144 UKT0042 – The Food and Drink Federation

145 Oral evidence taken on 3 June 2025, [Q278](#)

146 Oral evidence taken on 3 June 2025, [Q279](#)

147 Oral evidence taken on 3 June 2025, [Q281](#)

148 In May 2025, the Government [conducted](#) a call for evidence reviewing whether unrefined liquid dextrose ultrafiltration retentate (ULDUR) remains collectively classified as meeting the criteria for double reward classification in the Renewable Transport Fuel Obligation (RTFO) scheme.

years in short-term support.¹⁴⁹ Such measures would also give a clear signal to protect investor confidence in the sector. Paul Kenward cited the example that ABF has invested £700 million in its site and warned: “Once it goes, it goes.” He described the precedent risk to future investment: “When they look at successive Governments that said, ‘This is a strategic industry. This is important. We will put regulation in place to back it. Your investment is safe,’ we will be writing all of that off. It will be gone, and it will not be built again.”¹⁵⁰

94. Following his oral evidence, the Chief Executive of ABF Sugar wrote to the Committee on 18 June, warning that the UK bioethanol industry faced imminent closure without urgent bridging support. The company confirmed that a 45-day staff consultation would begin on 25 June, concluding in the shutdown of the Vivergo plant unless a resolution is reached.¹⁵¹ In response, the Chair urgently wrote to the Secretary of State for Business and Trade on 24 June, urging the Government to provide early clarity on a potential support package.¹⁵²
95. In written evidence, the Government told us “following a thorough review supported by external consultants, Government was unable to provide the direct financial support requested, as the cases presented could not provide adequate reassurance of a route to viability. As such, Government was not legally able to aid under the Subsidy Control Act. Government will continue to work with companies through this period and provide support where relevant.”¹⁵³
96. The closure of Vivergo has wider consequences for UK farming, food security, and critical infrastructure. The National Farmers’ Union warned that liberalising the UK ethanol market “could translate into the loss of this financial outlet for our arable growers,” noting that biofuels support demand for up to 2 million tonnes of crops and generate 1 million tonnes of animal feed annually as a by-product. The Vivergo plant alone purchased up to 1 million tonnes of wheat annually from more than 4,000 UK farms, primarily in Yorkshire and Northern Lincolnshire.¹⁵⁴
97. Bioethanol production also generates carbon dioxide as a by-product, which is used in vital sectors including food preservation, drink carbonation, and respiratory support in NHS intensive care. The UK currently relies heavily on two fertiliser plants operated by CF Fertilisers to meet its industrial CO₂ needs; when both temporarily ceased production in 2021,

149 Oral evidence taken on 3 June 2025, [Q281](#)

150 Oral evidence taken on 3 June 2025, [Q284](#)

151 [Letter](#) from Paul Kenward, CEO of ABF Sugar, to the Business and Trade Committee – dated 18 June 2025.

152 [Letter](#) from the Chair of the Business and Trade Committee to the Secretary of State for Business and Trade

153 UKT0061 – Department for Business and Trade

154 UKT0023 – National Farmers’ Union

the Government was forced to intervene to avoid disruption to essential services.¹⁵⁵ The British Beer and Pub Association warned that undermining domestic ethanol production has “caused serious damage to the UK’s ability to produce CO₂ domestically,” highlighting that reliance on imported CO₂ “is risky and expensive” as availability in the EU is already constrained, with several suppliers operating under force majeure.¹⁵⁶

98. CONCLUSION

We were disappointed to hear that the Government were unable to provide support to the bioethanol industry to prevent the closure of the Vivergo plant. This has already had a substantial impact on domestic production capacity of bioethanol, associated supply chains, and the UK’s ability to produce CO₂ and animal feed as by-products. The Committee will continue to monitor the impacts of the GT-EPD closely, including the impact on the agriculture and bioethanol industry.

99. RECOMMENDATION

We recommend that the Government continue to work urgently with the remaining UK bioethanol industry to co-design appropriate support measures. These should protect domestic production capacity and associated supply chains while medium-term supply side policies take effect.

155 [Government secures agreement to ensure CO₂ supplies - GOV.UK](#)

156 UKT0005 – British Beer and Pub Association

5 Building towards the Economic Prosperity Deal

Strategic Direction for future US-UK Negotiations

100. The GT-EPD sits alongside seven other trade agreements, which, in totality, have the potential to transform the UK’s position as a hub of global trade. Table 2 below outlines the major trade agreements currently under negotiation, or recently signed, by the UK and indicates the share of global GDP accounted for by each partner country or bloc. Together, they represent 56% of global GDP.

Partner	Status	% of global GDP ¹⁵⁷
US	Framework agreement	15%
EU	Reset underway	14%
CPTPP	In force	13%
India	FTA signed	8%
South Korea	Under negotiation	2%
GCC	Under negotiation	2%
Turkey	Under negotiation	2%
Switzerland	Under negotiation	0.4%

101. To date, the GT-EPD has focused primarily on reducing the commercial pressure of tariffs, providing short-term relief for key sectors. However, short term tariff adjustments represent only one element of the broader cooperation envisaged in the planned future EPD. The Department for Business and Trade told us they plan to address “non-tariff barriers, digital trade, trade in services, and alignment and collaboration on economic security. The detail of these areas is subject to ongoing negotiations.”¹⁵⁸

157 [GDP based on PPP, share of world](#), International Monetary Fund, Data retrieved from IMF DataMapper: WEO database.

158 UKT0061 – Department for Business and Trade

- 102.** The nature of these negotiations with the US, which lack an impact assessment, strategy, or formal stakeholder engagement, has made it difficult to assess what the final agreement may contain. Sabina Ciofu, Associate Director at TechUK, described the challenges of the approach, telling the Committee:

It does feel fairly ad hoc. It also makes the industry panic over what could be negotiated without proper consultation. ... once we move into some more structured form of negotiations ... [I hope] we will have a more structured consultation with the Government in the same way that we do for all the other trade agreements, so that whatever comes out of this is commercially meaningful and not necessarily a surprise to anyone.¹⁵⁹

BritishAmerican Business (BAB) similarly highlighted shortcomings in the process, stating that

Communication around the GT-EPD after its announcement could be improved. The implementation progress on the deal's commitments since May 8 has been uneven across commitments, and there has been confusion around specific details, with inconsistencies across different published documents.¹⁶⁰

- 103.** Stakeholders emphasised the need for a clearer and more strategic approach to the next phase of UK–US negotiations. BAB recommended that the UK set out clear priority sectors for future negotiations and refresh the UK's negotiating objectives where appropriate.¹⁶¹ Overton Advisory argued that “the GT-EPD should be followed quickly by negotiations to lock in binding tariff reductions, expand regulatory cooperation, and establish credible dispute-settlement mechanisms, where possible.”¹⁶² The CBI told the Committee that firms “continue to require more information regarding Rules of Origin, Section 232 measures, and potential changes to the Digital Sales Tax, as well as other elements of the agreement,” and highlighted that, for business, a stronger UK–US relationship would require “Mutual Recognition of Professional Qualifications, increased digital trade provisions and cooperation, and access to procurement at federal and state level.”¹⁶³

159 Oral evidence taken on 3 June 2025, [Q314](#)

160 UKT0010 – BritishAmerican Business

161 UKT0010 – BritishAmerican Business

162 UKT0022 – Overton Advisory

163 UKT0012 – Confederation of British Industry (CBI)

104. RECOMMENDATION
The Government must now drive forward further negotiations with the US to de-risk the threat of future tariffs, seek to match EU terms where those are preferential to those for the UK, lock in agreed tariff reductions and expanding co-operation.

105. RECOMMENDATION
Further negotiations could benefit from being mission-focused, in order to avoid the pit-falls of ad-hoc zero sum negotiations. This should include, for example, fostering deeper integration of US and UK science, research and universities communities and convening the investment community to understand where potential new investment is greatest. The Government should commence use of the Industrial Strategy Council to convene business and industry partners and craft an ambitious vision for future US-UK trade cooperation.

106. RECOMMENDATION
It is vital that the UK approaches the EPD not merely as a trade arrangement, but as a component of an economic and foreign policy strategy focused on ensuring Western leadership in the face of global competition, particularly from China. This strategy should be shaped by three frameworks:

- a.** the priorities for growing the eight strategic sectors identified in the Industrial Strategy and Trade strategy;
- b.** the Defence Industrial Strategy, which as we have recommended must contain a clear definition of the sovereign capabilities the UK seeks to on-shore, the capabilities we are content to trade for; and
- c.** a clear-eyed assessment of risks to (i) critical supply chains, (ii) critical minerals, (iii) investment and (iv) export security as part of a wider economic security strategy.

107. The remainder of this chapter sets out the key themes emerging from evidence received on the prospective areas of cooperation under the Economic Prosperity Deal, including the priorities for trade enhancement in digital trade and AI, and the five sets of standards and processes that now need attention in the fields of:

- a.** economic security,
- b.** labour standards,
- c.** regulatory cooperation on SPS and mutual conformity standards,

- d. tax,
- e. procurement standards.

Digital Trade and AI

- 108.** The US and the UK are the largest and second largest services exporters in the world.¹⁶⁴ More than 80% of UK GDP is derived from services - many of them digital, platform-based or powered by tech infrastructure.¹⁶⁵ Since 2010, UK services exports have grown year on year in real terms, both absolutely and relative to goods exports.¹⁶⁶ Digital trade potential is especially marked in services, with 3.2 million jobs in the UK embedded in digital services exports.¹⁶⁷
- 109.** The GT-EPD commits both countries to negotiate “ambitious set of digital trade provisions”, specifically referencing paperless trade, pre-arrival processing, and digitalized procedures.¹⁶⁸ However, details of these provisions remain limited. Sabina Ciofu, Associate Director at TechUK, told the Committee that the UK already has a “very good precedent” in its digital trade agreements, which provide certainty around cross-border data flows alongside strong privacy protections. She noted that, “through the UK-US Data Bridge, we have basically shown that we can do a privacy-compliant data flows regime.”¹⁶⁹
- 110.** We also heard broad support on both sides of the Atlantic that a UK–US digital trade agreement would deliver clear economic benefits and send a strong signal of resilience against digital protectionism.¹⁷⁰ In joint evidence published by TechUK and the Information Technology Industry Council (ITI), both organisations emphasised that a comprehensive digital trade framework between the UK and US could “set the global tech agenda”.¹⁷¹ They called for an agreement that:
- a. ensures market access by committing to non-discriminatory treatment of digital goods and services and banning customs duties on electronic transmissions;

164 [‘Trade in Services by Country’](#), International Trade Centre (ITC) Trade Map, accessed June 2025.

165 [A Trade Strategy for the UK’s Tech Future: What It Means for Our Sector - and What Still Needs to Happen](#)

166 [The UK’s Trade Strategy](#), Department for Business and Trade, June 2025, p.18

167 [The UK’s Trade Strategy](#), Department for Business and Trade, June 2025, p.20

168 [US-UK Economic Prosperity Deal \(EPD\) - GOV.UK](#)

169 Oral evidence taken on 3 June 2025, [Q303](#)

170 Oral evidence taken on 3 June 2025, [Q300](#)

171 [techUK and ITI: US.-UK Trade Deal Can Set Global Tech Agenda](#)

- b.** strengthens the UK–US Data Bridge by banning unjustified data localisation mandates and future-proofing open data flow arrangements;
- c.** improves regulatory interoperability through cooperation on data and digital governance frameworks so that they remain risk-based, proportionate and targeted, and deepens bilateral cooperation on AI and emerging technologies; and
- d.** enhances cybersecurity and trust, including mutual recognition of cybersecurity certifications, strong end-to-end encryption protections and greater threat intelligence sharing.

AI: Opportunities and Risks

- 111.** Artificial intelligence could become one of the most transformative general-purpose technologies of the coming decades. The Government’s AI Opportunities Action Plan cites AlphaFold—a model developed by DeepMind that predicts protein structures—as an example of global leadership, noting that it has saved an estimated 400 million years of research time. The Government expects that by 2029, “AI will be a dominant factor in economic performance and national security”, with frontier models in 2024 already trained on 10,000 times more computing power than those developed in 2019.¹⁷²
- 112.** The UK is the third largest AI market in the world, after the US and China; valued at \$92bn (£72.3bn) in 2024. The UK’s AI sector is the largest in Europe, and employs over 60,000 people across 3,700 companies, contributing £3.7 billion to the UK economy.¹⁷³ The Government’s AI Opportunities Action Plan sets out ambitions to: a) invest in computing and data infrastructure, b) encourage AI pilots across the public and private sector, and c) aim to have national champions at critical layers of the AI stack.¹⁷⁴ As trade becomes increasingly shaped by technology and data flows, the Economic Prosperity Deal presents a critical moment to align digital trade policy with the UK’s AI ambitions. At the same time, the US is pursuing its own AI Action Plan.¹⁷⁵ US companies such as OpenAI have urged the US Government to “prevent foreign countries from imposing their legal regimes on American AI firms” and to protect the flow of critical data for training and deployment.¹⁷⁶

172 [AI Opportunities Action Plan](#), Independent report, Department for Science, Innovation and Technology, 13 January 2025

173 [Artificial Intelligence](#), Departmental Guidance, Department for Business and Trade

174 [AI Opportunities Action Plan](#), Independent report, Department for Science, Innovation and Technology, 13 January 2025

175 [America’s AI Action Plan](#), The White House, July 2025

176 OpenAI (2025) [Response](#) to OSTP/NSF RFI: Notice Request for Information on the Development of an Artificial Intelligence (AI) Action Plan, 13 March 2025, Office of Science and Technology Policy. OpenAI.

- 113.** The treatment of intellectual property in AI training represents a key flashpoint. At present, UK copyright law applies when large data sets are used to train AI models. However, in December 2024, the Government consulted on the establishment of a copyright exemption for AI developers and a new rights reservation model whereby copyright holders would need to opt-out from having their material used for training AI. The Government has framed this as a pro-innovation measure intended to attract AI development in the UK. This consultation received over 11,500 responses.¹⁷⁷ However, the Financial Times (FT) warns this could severely devalue the UK’s £126 billion creative sector and “benefit US tech companies at the expense of UK investors in IP”.¹⁷⁸
- 114.** Related debates arose during the Data (Use and Access) Bill. The House of Lords added clauses to protect rights holders from web crawlers and “data gatherers” but these were removed by the Government at Commons committee stage.¹⁷⁹ Chris Bryant, Minister for Data Protection, said the Government wanted “genuine transparency” on AI training data and stronger rights-holder control but argued the Bill was “not the right vehicle for action” The Government intends to publish proposals after analysing consultation responses.¹⁸⁰
- 115.** At the same time, there are concerns around policy coherence and procurement strategy. While the Government’s AI Opportunities Action Plan sets ambitions to create “national champions” in AI, its procurement choices appear to conflict with this goal. The Financial Times notes “the government rejected attempts to craft amendments in a way that would exempt UK AI startups from obligations around transparency of training data. The government’s recent and ongoing procurement of US AI foundation models for use to underpin AI tools used to process confidential policy documents across the UK civil service is a missed opportunity to procure from UK AI companies.”¹⁸¹

116. RECOMMENDATION

Any future digital trade provisions negotiated under the Economic Prosperity Deal should strike a careful balance: promoting AI adoption and cross-border collaboration to strengthen the Western technological alliance, while safeguarding intellectual property, ensuring fair taxation, and enabling the development of sovereign UK AI capabilities.

177 [Impact of AI on intellectual property - House of Commons Library](#)

178 Written evidence received for the Committee’s inquiry into Export led growth, Financial Times ([ELG0052](#)), June 2025

179 [Impact of AI on intellectual property - House of Commons Library](#)

180 [Impact of AI on intellectual property - House of Commons Library](#)

181 Written evidence received for the Committee’s inquiry into Export led growth, Financial Times ([ELG0052](#)), June 2025

The five key sets of standards

(1) Economic security standards

- 117.** Throughout this report, we have highlighted the growing convergence of economic and foreign policy in the US. During our visit to Washington DC, we repeatedly heard the view that “economic security is national security” and that trade policy should be treated as an extension of both foreign and defence policy. In practice, this has included new investigations under Section 232 of the US Trade Expansion Act of 1962 and Section 301 of the US Trade Act of 1974, tighter investment screening and outbound investment restrictions under the America First Investment Policy, and regulatory reforms aimed at supporting domestic manufacturing.¹⁸²
- 118.** The GT-EPD reflects the focus on economic security. Specifically, both countries have agreed: (a) to strengthen coordination to address non-market policies and practices of third countries; (b) to cooperate more closely on the use of investment screening measures, export controls, and ICT vendor security; (c) to reaffirm and discuss the implementation of procurement commitments, including new UK measures under the Procurement Act 2023 and the National Security Unit for Procurement; and (d) to negotiate enhanced customs cooperation to tackle duty evasion and the transshipment of goods that could undermine economic security.¹⁸³
- 119.** Dr Simon Thomas, Chief Executive Officer, Paragraf, a UK graphene-based electronic devices company, emphasised that it will be important for the UK to strike the right balance when pursuing closer economic security alignment with the US, stating “[the UK must] understand how much economic security we want. If we walk into a deal with the US and start to look at other markets that we cannot access because of that deal, what happens in the future?”¹⁸⁴

Investment Screening and Export Controls

- 120.** To deepen co-operation on investment screening and export controls, the US and the UK will need to review their regimes and identify where their national security and economic interests align. In the US, investment security is governed by the ‘America First Investment Policy’ and the Committee on Foreign Investment in the United States (CFIUS), which has

182 Section 301 of the Trade Act of 1974 authorises the United States Trade Representative to investigate and respond to unfair foreign trade practices. Section 232 of the Trade Expansion Act of 1962 permits the President to impose trade restrictions on national security grounds, following an investigation by the Department of Commerce.

183 [US-UK Economic Prosperity Deal \(EPD\) - GOV.UK](#)

184 Oral evidence taken on 3 June 2025, [Q316](#)

extensive powers to review foreign investments that could pose national security risks, particularly in sectors such as advanced technologies and critical infrastructure. The UK's National Security and Investment Act 2021 (NSIA) similarly allows the Government to screen transactions that may pose national security risks but applies a more "country agnostic" approach. Both regimes have significantly expanded their export controls in recent years, especially in sectors like semiconductors, quantum technologies and AI, adding new restrictions on emerging dual-use items.

- 121.** Jonathan Legh-Smith, Executive Director of UKQuantum, told the Committee that recent US export controls aim to prevent sensitive intellectual property and technology from reaching "negative actors" rather than create broad barriers between allies.¹⁸⁵ However, he noted that the practical effect can still create significant obstacles for UK-US collaboration in sectors such as semiconductors, quantum and artificial intelligence. He described the realities of navigating such barriers in practice:

"We have export controls that have been introduced unilaterally by many countries. We have exemptions for allied nations, such as the US, but it is still an obstacleIndustry wants to collaborate, but it has to work around, 'I know that you are from the UK. Perhaps you could run it through a US subsidiary or something in order to make that work.' It is about removing those sorts of barriers."¹⁸⁶

- 122.** In Washington DC, we also heard that US policy in key areas of economic security remains fast-moving and subject to frequent change. For example, under the Biden Administration, the US introduced rules restricting exports of Nvidia's most advanced AI chips to China. In response, Nvidia developed a less powerful chip (H100 to H20) designed to fall below the government's performance thresholds. Under the new Administration, Nvidia disclosed that US officials were requiring a licence for future sales of those lower performance chips to China.¹⁸⁷ In August 2025, the policy was partially reversed, allowing Nvidia to resume shipments of its H20 chips to China under a new licensing regime, subject to a 15 per cent revenue levy on sales.¹⁸⁸ This development illustrates the rapidly evolving nature of US export control policy and underscores the uncertainty facing UK firms reliant on US technology supply chains.
- 123.** Intellectual property (IP) is also a core national asset for both the US and the UK as leading innovators. Dr Simon Thomas, Chief Executive Officer at Paragraf, highlighted the need for strong protections and mutual trust:

185 Oral evidence taken on 3 June 2025, [Q307](#)

186 Oral evidence taken on 3 June 2025, [Q302](#)

187 [How Washington Has Tried to Control China's Tech](#), The New York Times, 12 June 2025.

188 [US Government Lets Nvidia and AMD Resume AI Chip Sales to China Under Revenue-Sharing Agreement](#). The New York Times, 10 August 2025.

IP is a very complex landscape... Some of it—especially trade secrets—isn't protected from interception on your partner's server. We will have to get towards stronger standards so companies can trust each other. As more data breaches happen, investors become more risk-averse, and companies like Paragraf, without big infrastructure, look riskier for investment.¹⁸⁹

124. RECOMMENDATION

The Government should work closely with industry to ensure that closer UK-US alignment on economic security measures, such as investment screening and export controls, does not create unintended obstacles for legitimate trade and collaboration. It should provide clear guidance and consult widely with sectors most affected, including advanced technology and quantum industries.

(2) Procurement standards

- 125.** The US and the UK are both members of the World Trade Organization's Agreement on Government Procurement (GPA), which provides a legally binding framework to ensure transparency, non-discrimination, and fair competition in government procurement markets among signatories. Under the GT-EPD, both countries have reaffirmed their commitment to their GPA obligations and agreed to "discuss the implementation" of their respective procurement commitments. This will be particularly relevant when considering the participation of firms from non-signatory states, which are not bound by GPA principles yet benefit from access to procurement markets elsewhere.
- 126.** Jonathan Legh-Smith told the Committee emphasised the importance of UK firms retaining trusted access to US procurement opportunities. He explained that this status would help UK companies participate in strategic programmes: "The most obvious things such as the Defence Advanced Research Projects Agency (DARPA) programmes are likely to be very influential. There are also a lot of pre-procurement exercises going on at the regional government and state level, where just being able to get involved and being eligible as a trusted partner would be useful."¹⁹⁰

189 Oral evidence taken on 3 June 2025, [Q301](#)

190 Oral evidence taken on 3 June 2025, [Q318](#)

(3) Labour standards

127. The General Terms of the Economic Prosperity Deal also include a commitment by both countries to “discuss high-standard commitments related to ... labor practices (including addressing forced labour in supply chains), and environmental policies and practices.”¹⁹¹ During our visit to Washington DC, we heard US officials emphasise the importance of addressing forced labour in supply chains. We note that recent measures announced to ensure that public procurement by Great British Energy remains free from forced labour were welcomed.¹⁹² However, as highlighted at the start of this chapter, stakeholders remain cautious due to a lack of transparency. The Trade Justice Movement told us “there has been little information provided from the Government about what form further discussions are taking, or what [labour] commitments may look like in practice”.¹⁹³
128. In March 2025, the Business and Trade Committee published a report on the Employment Rights Bill, in which we also examined international labour standards and approaches to tackling forced labour in supply chains. We concluded that “the UK is at serious risk of becoming a ‘dumping ground’ for products made with forced labour if it does not keep up with our global partners on legislative reforms to tackle modern slavery, and recommended that the Government prioritise the introduction of due diligence legislation to avoid duplicative compliance burdens for UK businesses.”¹⁹⁴ In response, the Government told us they “will continue to assess and monitor the effectiveness of the UK’s existing measures, alongside the impacts of new policy tools that are emerging, to ensure we can best promote responsible business practices.”¹⁹⁵

129. **RECOMMENDATION**

In line with the previous recommendations of this Committee, the Government should align with other countries to introduce mandatory human rights due diligence legislation, and consider new levers such as import bans on products from regions where forced labour prevails, as being introduced in the US and the EU.

191 [US-UK Economic Prosperity Deal \(EPD\) - GOV.UK](#)

192 [Great British Energy to lead the field in ethical supply chains](#), Department for Energy Security and Net Zero, 14 May 2024

193 UKT0038 – Trade Justice Movement

194 [Make Work Pay: Employment Rights Bill, Business and Trade Committee](#), 3 March 2025, HC370

195 [Make Work Pay: Employment Rights Bill: Government response to the Committee’s Third Report](#)

(4) Regulatory Co-operation on SPS and Mutual Conformity Standards

- 130.** The GT-EPD recognises that reducing nontariff barriers (NTBs) is critical to unlocking further trade benefits for both countries. Specifically, the GT-EPD commits the US and UK to: (a) enhance agricultural market access while maintaining compliance with each country’s sanitary and phytosanitary (SPS) standards; (b) provide fair and nondiscriminatory treatment for each other’s conformity assessment bodies; (c) build on existing Mutual Recognition Agreements by negotiating new agreements in industrial goods and domestic regulation of services; and (d) strengthen cooperation on international standards, including recognition of each other’s standards development organisations (SDOs) in agreed sectors.¹⁹⁶

SPS standards

- 131.** The GT-EPD states that imported food “must comply with the importing country’s sanitary and phytosanitary (SPS) standards and other mutually agreed standards”. In May 2025, the UK Government committed to working with the EU towards a Common Sanitary and Phytosanitary Area, “providing for timely dynamic alignment of the rules applicable to and in the United Kingdom acting in respect of Great Britain with all the relevant European Union rules, giving due regard to the United Kingdom’s constitutional and parliamentary procedures”.¹⁹⁷ However, there are concerns, including those raised by the US Foreign Agricultural Service, that such alignment may limit the UK’s ability to negotiate divergent standards in future trade agreements.¹⁹⁸ During our visit to Washington, multiple US stakeholders expressed concern that continued EU alignment could limit opportunities for UK–US agricultural market access, particularly in sensitive areas such as beef, poultry and pork. However, there was a widespread acknowledgement that the unique requirements of the Good Friday Agreement were an important factor in aligning SPS standards in a way that enabled trade between Ireland and Northern Ireland and between Northern Ireland and Great Britain.
- 132.** The National Farmers Union (NFU) welcomed the Government’s confirmation that the UK’s sanitary and phytosanitary standards are unchanged by the GT-EPD. David Exwood, Deputy President, National Farmers Union emphasised to the Committee that “They should protect our standards, and specifically our SPS standards. Agriculture cannot be the sector that

196 [US-UK Economic Prosperity Deal \(EPD\) - GOV.UK](#)

197 [UK-EU Summit - Common Understanding \(HTML\) - GOV.UK](#)

198 [Overview of UK - EU Engagement on a Potential SPS Agreement](#), United States Foreign Agricultural Service, April 2025

always gives.”¹⁹⁹ The NFU stated a “measure of success for the US will be to ensure that the UK has a thriving domestic sector that is not undercut by imports produced at different standards that are illegal in the UK”.²⁰⁰ Animal Protection UK, the RSPCA, and Compassion in World Farming also welcomed the decision not to lower standards, but each raised concerns over the lower animal welfare standards in the US.²⁰¹

Conformity Assessment Bodies, Mutual Recognition Agreements and International Standards

- 133.** Under the GT-EPD, the UK and US committed to accord to conformity assessment bodies of the other treatment no less favourable than that it accords to conformity assessment bodies located in its own territory. This provision would allow US accreditation bodies to accredit UK conformity assessment bodies for the purposes of US regulation, and vice versa. The United Kingdom Accreditation Service (UKAS) notes, however, the US system comprises several competing accreditation bodies and “envisage US accreditation bodies could seek to accredit UK conformity assessment bodies for their non-regulatory activities at the same time as they are accrediting these bodies under the regulatory scope of the trade deal.” UKAS recommends that Government safeguard the UK’s national quality infrastructure and maintain oversight to prevent weakening of market surveillance.²⁰²
- 134.** Under the GT-EPD, the UK and US committed to “build on an existing set of Mutual Recognition Agreements (MRAs) by negotiating additional agreements, as appropriate, across certain industrial goods and advance toward an agreement on services domestic regulation.”^{203 204} The Royal Institute of British Architects told us the Government should support any changes necessary which could help increase the number of states signed up to their 2023 agreement on architecture qualifications, which already

199 Oral evidence taken on 3 June 2025, [Q293](#)

200 For example, the US is the largest global beef producer and the scale and size of the grain-fed and feedlots-based production system in the US creates economies of scales advantages over smaller grass and forage-based systems in the UK leading to significant cost of production advantages for US producers. Much of this product will not find its way to the UK market as it would not meet our hormone free rules and the NFU urges the government to maintain this commitment to uphold the UK’s SPS standards. UKT0023 – National Farmers’ Union (NFU)

201 UKT0004 – World Animal Protection, UKT0007 – Compassion in World Farming, UKT0019 – RSPCA,

202 UKTOOX – UKAS

203 An MRA is a formalised agreement between two or more parties (usually regulatory bodies) which aims to facilitate mobility of professionals through agreed recognition, registration or membership processes.

204 [US-UK Economic Prosperity Deal \(EPD\) - GOV.UK](#)

covers 40 US states.²⁰⁵ By contrast, the Institute of Chartered Accountants in England and Wales (ICAEW) reported that negotiations on mutual recognition of professional qualifications more broadly remain stalled as “historically, efforts to reach a mutual recognition agreement with the US have been hindered by the requirement that all UK Recognised Qualifying Bodies (RQBs) be recognised simultaneously”.²⁰⁶ Finally, both parties have also agreed to discuss the principles and criteria used to recognise a standard as an international standard.

135. RECOMMENDATION

We recognise that the GT-EPD lays important foundations for reducing non-tariff barriers. The Committee urges Government to engage stakeholders early to ensure that future commitments protect UK standards while unlocking market access opportunities.

(5) Tax

- 136.** Beyond the provisions set out in the GT-EPD, we also note speculation that the UK’s Digital Services Tax (DST) could be a point of interest for the US. The DST, introduced in 2020, places a 2% tax on the revenues of certain digital businesses that derive value from UK users, as an interim measure, pending an international agreement to reform the corporate tax framework.²⁰⁷ The Office for Budget Responsibility estimates that the DST will generate around £800 million in revenue in 2024, rising to £1 billion by 2026–27.²⁰⁸ While HMRC’s statutory duty of taxpayer confidentiality means it does not publish the names of DST payers, major US tech companies, including Amazon, eBay, Google and Apple, have publicly confirmed they pay, or expect to pay, the tax.²⁰⁹
- 137.** The US Government has repeatedly argued that the DST unfairly targets US firms. White House trade adviser Peter Navarro has said the Trump administration is still seeking to pressure the UK into lifting its tax on digital services as part of the negotiations, describing such taxes as a “bad virus” and calling the issue “a very big deal to President Trump.”²¹⁰ Multiple US digital trade associations including groups such as the US Chambers of Commerce, Computer and Communications Industry Association, Coalition

205 UKT0045 – Royal Institute of British Architects

206 UKT0033 – ICAEW

207 [Digital Services Tax - GOV.UK](#)

208 [Economic and fiscal outlook](#), Office for Budget Responsibility, March 2025, p.162

209 [Investigation into the Digital Services Tax](#), National Audit Office, November 2022

210 UKT0038 - Trade Justice Movement

of Services Industry, Consumer Technology Association, and Information and Technology Industry Council, have called for “decisive action on ‘discriminatory DSTs’”.²¹¹

- 138.** Within the UK, business views are more mixed. Sabina Ciofu, Associate Director at TechUK, told the Committee: “On the digital services tax, we know as much as you. We know it has been on the table for these negotiations. Again, it is the Government’s negotiating position to consider all their instruments. Ideally, our point here would be that, if you are considering digital concessions, consider them in the context of digital wins.”²¹²
- 139.** By contrast, representatives of the UK’s creative industries argue that large global tech firms still pay too little tax relative to UK-based businesses. The Financial Times highlighted a risk that “there continues to be a structural imbalance whereby large global tech firms, who are direct competitors to UK-based creative exporters including media and publishing organisations, are paying significantly lower tax rates than UK businesses, particularly if they are serving content or news that has been developed by UK journalists and creators. This is creating an uneven playing field.” The FT also argued that the exclusion of cloud services from the scope of the Digital Services Tax is increasingly hard to justify—particularly “given the clear national security need to develop sovereign cloud capacity.”²¹³

Conclusion

- 140. CONCLUSION**
The Committee will continue to monitor developments closely and expects the Government to ensure that the UK’s economic and strategic interests remain central to the negotiation of the full Economic Prosperity Deal.
- 141. RECOMMENDATION**
Looking ahead, future commitments in the potential Economic Prosperity Deal must balance opportunities for growth in digital trade, AI, and services with strong protections for UK standards, tax sovereignty, and critical domestic industries.

211 [Association Letter on Canada and UK DST](#), Computer and Communications Industry Association, 3 June 2025

212 Oral evidence taken on 3 June 2025, [Q320](#)

213 Written evidence received for the Committee’s inquiry into Export led growth, Financial Times ([ELG0052](#)), June 2025

Conclusions and recommendations

Understanding US Trade Policy

1. The United States is expanding the use of trade policy to advance its strategic and security objectives. It is therefore welcome that the United Kingdom has achieved the Economic Prosperity Deal representing a new phase of UK-US economic engagement. (Conclusion, Paragraph 26)
2. The UK must integrate economic engagement with the US into our broader geopolitical dialogue and minimise the risks of ad hoc, zero-sum bargaining with a far larger partner by now turning paper promises into binding bargains. The UK should de-risk future volatility in US-UK trade by developing deeper long-term industry partnerships in priority Industrial Strategy sectors and maximising alignment in our shared economic security objectives. In particular it is important the UK leverages the potential for a deeper US-UK partnership to ensure Western leadership over China in the race for technological supremacy—particularly in AI and defence tech, de-risked supply chains, and greater security for supplies of critical minerals. (Recommendation, Paragraph 27)

General Terms of the Economic Prosperity Deal

3. We welcome the Government's work to date in securing swift tariff relief for key sectors under the GT-EPD and acknowledge the progress made in challenging circumstances. However, we must acknowledge that UK exporters are now trading with our most significant single trading partner on terms which are worse than before President Trump came to office. Because ministers have not published an economic impact analysis—or a framework for assessing potential impacts—we cannot yet estimate the economic loss or gains from the GT-EPD. While implementation of some aspects of the agreement has commenced, many of the UK's critical industries remain in a state of uncertainty about the future tariffs regimes they may face. It is also now clear that the UK has secured less favourable terms for some sectors than our much larger neighbours in the EU. Finally,

the future timetable for implementing measures that might be agreed in the GT-EPD is unclear. Together, these risks are increasing uncertainty for business. Uncertainty risks hurting, not helping, the appetite of business and investors to invest. (Conclusion, Paragraph 48)

4. We welcome the extension of the treaty parliamentary scrutiny period from 10 to 20 sitting days, as set out in the Trade Strategy. However, we regret that scrutiny of the GT-EPD are limited due to the trade-related provisions having been negotiated outside a formal treaty process, and that an economic impact analysis or framework has not been published. It remains unclear when the House will be able to debate the individual measures already implemented ahead of the finalisation of the Economic Prosperity Deal. (Conclusion, Paragraph 49)
5. Going forward, we recommend the Government now maximises pressure on the US, beginning during and continuing after the President's State Visit, to agree final terms for a lasting, Economic Prosperity Deal that de-risks the threat of future sectoral tariffs, maximise predictability and that where the UK has secured terms which are second best to the EU, we aim to improve them. (Recommendation, Paragraph 50)
6. We recommend that whenever the Government makes substantive trade commitments, whatever form this takes, it must ensure that they are subject to full parliamentary scrutiny. (Recommendation, Paragraph 51)
7. We further recommend that the Government set out, in advance of ratification, a clear timetable for parliamentary scrutiny and stakeholder engagement and of any implementing measures, so that Members and affected sectors can assess the implications of the deal before it comes into force. (Recommendation, Paragraph 52)
8. Given the significance of the Economic Prosperity Deal for UK trade policy, the Government must ensure that time is made available in the House of Commons for a full debate on a substantive motion. (Recommendation, Paragraph 53)

National and Sectoral Impact of the General Terms of the Economic Prosperity Deal

9. We agree with the UK automotive industry that the tariff reductions secured under the Economic Prosperity Deal are to be welcomed, but the benefits are constrained by the 100,000-vehicle quota and uncertainty around how it will be allocated. (Conclusion, Paragraph 61)

10. The Government must work with industry to closely monitor use of the 100,000-vehicle automotive quota under the GT-EPD, agree a clear, fair mechanism for its allocation and management, and, given the complementary nature of the US and UK automotive industries, ministers should advance arguments to expand the quota. (Recommendation, Paragraph 62)
11. While the General Terms of the Economic Prosperity Deal outline an intention to establish a tariff-reducing quota for UK steel and aluminium exports, no detailed agreement has yet been reached. Key issues remain unresolved including the size of the quota, which products will qualify and the conditions attached. This continued uncertainty is affecting planning and investment decisions in the sector. (Conclusion, Paragraph 73)
12. The Government must maximise pressure on the US to minimise tariffs for UK steel and aluminium producers and work to ensure that any final agreement reflects the realities of UK supply chains and the sector's transition to low-carbon production. (Recommendation, Paragraph 74)
13. Furthermore, the Government must bring forward reforms to the operation of the Trade Remedy Authority in order to ensure that it is capable of moving at the same speed as the EU in implementing trade defences against diverted products into the UK market. (Recommendation, Paragraph 75)
14. The Government must also continue to urgently engage with UK industry, and the US administration, to understand and address the full impact of steel and aluminium derivative products being subject to a 25% tariff. (Recommendation, Paragraph 76)
15. The Government should continue to press for clarity from the United States on the conditions attached to future preferential access for UK pharmaceutical exports, and, where appropriate, secure wider tariff relief for scientific and medical products. Given the positive outcome secured for the aerospace sector, the Government should seek a similar resolution for pharmaceuticals, recognising that both are traditionally tariff-free sectors. (Recommendation, Paragraph 82)
16. We were disappointed to hear that the Government were unable to provide support to the bioethanol industry to prevent the closure of the Vivergo plant. This has already had a substantial impact on domestic production capacity of bioethanol, associated supply chains, and the UK's ability to produce CO₂ and animal feed as by-products. The Committee will continue to monitor the impacts of the GT-EPD closely, including the impact on the agriculture and bioethanol industry. (Conclusion, Paragraph 98)

17. We recommend that the Government continue to work urgently with the remaining UK bioethanol industry to co-design appropriate support measures. These should protect domestic production capacity and associated supply chains while medium-term supply side policies take effect. (Recommendation, Paragraph 99)

Building towards the Economic Prosperity Deal

18. The Government must now drive forward further negotiations with the US to de-risk the threat of future tariffs, seek to match EU terms where those are preferential to those for the UK, lock in agreed tariff reductions and expanding co-operation. (Recommendation, Paragraph 104)
19. Further negotiations could benefit from being mission-focused, in order to avoid the pit-falls of ad-hoc zero sum negotiations. This should include, for example, fostering deeper integration of US and UK science, research and universities communities and convening the investment community to understand where potential new investment is greatest. The Government should commence use of the Industrial Strategy Council to convene business and industry partners and craft an ambitious vision for future US-UK trade cooperation. (Recommendation, Paragraph 105)
20. It is vital that the UK approaches the EPD not merely as a trade arrangement, but as a component of an economic and foreign policy strategy focused on ensuring Western leadership in the face of global competition, particularly from China. This strategy should be shaped by three frameworks:
 - a. the priorities for growing the eight strategic sectors identified in the Industrial Strategy and Trade strategy;
 - b. the Defence Industrial Strategy, which as we have recommended must contain a clear definition of the sovereign capabilities the UK seeks to on-shore, the capabilities we are content to trade for; and
 - c. a clear-eyed assessment of risks to (i) critical supply chains, (ii) critical minerals, (iii) investment and (iv) export security as part of a wider economic security strategy. (Recommendation, Paragraph 106)
21. Any future digital trade provisions negotiated under the Economic Prosperity Deal should strike a careful balance: promoting AI adoption and cross-border collaboration to strengthen the Western technological

alliance, while safeguarding intellectual property, ensuring fair taxation, and enabling the development of sovereign UK AI capabilities. (Recommendation, Paragraph 116)

- 22.** The Government should work closely with industry to ensure that closer UK–US alignment on economic security measures, such as investment screening and export controls, does not create unintended obstacles for legitimate trade and collaboration. It should provide clear guidance and consult widely with sectors most affected, including advanced technology and quantum industries. (Recommendation, Paragraph 124)
- 23.** In line with the previous recommendations of this Committee, the Government should align with other countries to introduce mandatory human rights due diligence legislation, and consider new levers such as import bans on products from regions where forced labour prevails, as being introduced in the US and the EU. (Recommendation, Paragraph 129)
- 24.** We recognise that the GT-EPD lays important foundations for reducing non-tariff barriers. The Committee urges Government to engage stakeholders early to ensure that future commitments protect UK standards while unlocking market access opportunities. (Recommendation, Paragraph 135)
- 25.** The Committee will continue to monitor developments closely and expects the Government to ensure that the UK’s economic and strategic interests remain central to the negotiation of the full Economic Prosperity Deal. (Conclusion, Paragraph 140)
- 26.** Looking ahead, future commitments in the potential Economic Prosperity Deal must balance opportunities for growth in digital trade, AI, and services with strong protections for UK standards, tax sovereignty, and critical domestic industries. (Recommendation, Paragraph 141)

Formal Minutes

Tuesday 9 September 2025

Members present:

Liam Byrne, in the Chair

John Cooper

Sonia Kumar

Charlie Maynard

Mr Joshua Reynolds

Matt Western

US Economic Prosperity Deal

Draft Report (*US Economic Prosperity Deal*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 141, read and agreed to.

Summary agreed to.

Resolved, That the Report be the Tenth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Adjournment

Adjourned till Tuesday 16 September at 2.00pm

Witnesses

The following witnesses gave evidence to the Committee's parallel inquiry into Export led growth, which informed the development of this report. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Tuesday 21 January 2025

Rt Hon Douglas Alexander MP, Minister for Trade Policy and Economic Security, Department for Business and Trade; **Rt Hon Nick Thomas-Symonds MP**, Minister for Constitution and European Relations, Cabinet Office; **Amanda Brooks CBE**, Director General for Trade Policy, Implementation and Negotiations, Department for Business and Trade; **Niall MacEntee-Creighton**, Deputy Director, UK-EU Economic and Trade Partnership, Cabinet Office

[Q1-94](#)

Tuesday 25 February 2025

The Lord Hannan of Kingsclere, President, Institute for Free Trade; **Mr Marley Morris**, Associate Director for Migration, Trade and Communities, Institute for Public Policy Research (IPPR); **Tom Brufatto**, Executive Director of Policy and Research, Best for Britain

[Q95-130](#)

Tom Wills, Director, Trade Justice Movement; **Rosa Crawford**, Policy Officer, Trade Union Congress (TUC); **Eric Gottwald**, Trade and Globalization Policy Specialist, AFL-CIO

[Q131-142](#)

Sarah Williams, Head of Strategic Partnerships, Green Alliance; **Frank Aaskov**, Director, Energy and Climate Change Policy, UK Steel; **Rebecca Sedler**, Managing Director of National Grid Interconnectors, National Grid

[Q143-157](#)

Lord Mark Sedwill, Cabinet Secretary (2018-2020), Former National Security Adviser and Cabinet Secretary; **Sean Sargent**, Chief Executive Officer, Green Lithium; **Sir Sherard Cowper-Coles**, Chair, China-Britain Business Council; **George Magnus**, Research Associate, University of Oxford China Centre and School of Oriental and African Studies

[Q158-178](#)

Tuesday 25 March 2025

Charlie Humphreys, Director of Corporate Affairs, Asia House; **Ian Gibbons OBE**, Chief Executive Officer, UK ASEAN Business Council; **Douglas Barrie**, Senior Fellow for Military Aerospace, International Institute for Strategic Studies [Q179-192](#)

Nicola Watkinson, Managing Director, International, TheCityUK; **Harry Anderson**, Head of Policy and Global Engagement, Universities UK; **Johanna Kyrklund**, Global Chief Investment Officer, Schroders [Q193-217](#)

Helen Brocklebank, Chief Executive Officer, Walpole; **Mr Jonathan Brenton**, Director of Public Affairs, Pernod Ricard; **Alex Gover**, Head of Business Development, Intralink [Q218-221](#)

Tuesday 3 June 2025

Russell Codling, Director, Markets Business Development & Commercial Services, Tata Steel; **Andy Richardson**, Managing Director, Special Melted Products; **Murray Paul**, Public Affairs Director, Jaguar Land Rover; **George Drakos**, Director, Bridgnorth Aluminium [Q222-257](#)

David Exwood, Deputy President, National Farmers Union; **Paul Kenward**, Chief Executive Officer, ABF Sugar; **Steve Bates**, Chief Executive Officer, Bioindustry Association [Q258-299](#)

Simon Thomas, Chief Executive Officer, Paragraf; **Sabina Ciofu**, Associate Director – International, techUK; **Jonathan Legh-Smith**, Executive Director, UKQuantum [Q300-320](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

UKT numbers are generated by the evidence processing system and so may not be complete.

1	ABTA – The Travel Association	UKT0024
2	Agriculture and Horticulture Development Board (AHDB)	UKT0035
3	Animal Policy International	UKT0050
4	Aulla, Mr Raja Gopal	UKT0009
5	BPI (British Recorded Music Industry)	UKT0021
6	Best for Britain	UKT0013
7	British Beer and Pub Association	UKT0005
8	British Private Equity and Venture Capital Association (BVCA)	UKT0059
9	British Sugar plc	UKT0016
10	BritishAmerican Business	UKT0010
11	Butler, Dr Nicolette; and Dr Jasem Tarawneh	UKT0018
12	Centre for Inclusive Trade Policy (CITP); and UK Trade Policy Observatory (UKTPO)	UKT0047
13	Ceramics UK	UKT0030
14	Chester Zoo	UKT0008
15	Chivas Brothers Pernod Ricard	UKT0011
16	Compassion in World Farming	UKT0007
17	Confederation of British Industry (CBI)	UKT0012
18	CropLife UK	UKT0031
19	Deloitte LLP	UKT0046
20	Department for Business and Trade	UKT0061
21	Dow	UKT0041
22	FOUR PAWS UK	UKT0003
23	Federation of Small Businesses	UKT0058

24	Garcia, Dr Maria (Senior Lecturer, University of Bath)	UKT0020
25	Getlink Group	UKT0055
26	Global Justice Now	UKT0014
27	ICAEW	UKT0033
28	India Labour Solidarity	UKT0052
29	Institute of Directors	UKT0032
30	Law Society of Scotland	UKT0025
31	Lloyd's Market Association; and Lloyd's Syndicates	UKT0054
32	London Market Group	UKT0028
33	Mandal, Dr Anandadeep (Associate Professor, University of Birmingham)	UKT0001
34	National Farmers' Union (NFU)	UKT0023
35	National Measurement Laboratory at LGC	UKT0006
36	Norwich Research Park	UKT0039
37	Overton Advisory	UKT0022
38	Paragraf	UKT0034
39	Quality Meat Scotland	UKT0015
40	RSPCA	UKT0019
41	Royal Institute of British Architects	UKT0045
42	Scotch Whisky Association	UKT0029
43	Scottish Chambers of Commerce	UKT0053
44	Society of Motor Manufacturers and Traders (SMMT)	UKT0027
45	The City of London Corporation	UKT0057
46	The Food and Drink Federation	UKT0042
47	The Investment Association	UKT0026
48	The Law Society of England and Wales	UKT0002
49	The Wine and Spirit Trade Association (WSTA)	UKT0037
50	Tossini, Dr Joao Vitor	UKT0051
51	Trade Justice Movement	UKT0038
52	UK BioIndustry Association (BIA)	UKT0044
53	UK Music	UKT0017
54	UK Trade Policy Observatory (UKTPO) and Centre for Inclusive Trade Policy (CITP)	UKT0036

55	UKinbound	<u>UKT0040</u>
56	United Kingdom Accreditation Service (UKAS)	<u>UKT0062</u>
57	Vodafone Group	<u>UKT0060</u>
58	WWF-UK	<u>UKT0043</u>
59	World Animal Protection	<u>UKT0004</u>
60	Yu, Mr Bin	<u>UKT0048</u>

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

Session 2024–26

Number	Title	Reference
9th	Draft Legislative Reform (Disclosure of Adult Social Care Data) Order 2025	HC 1140
8th	Export led growth: Trade with the Asia-Pacific region	HC 1048
7th	Industrial Strategy	HC 727
6th	How to strengthen UK-EU relations: Policy Priorities for the Summit	HC 908
5th	How to strengthen UK-EU relations	HC 814
4th	Post Office Horizon scandal redress: Unfinished business: Government response	HC 778
3rd	Make Work Pay: Employment Rights Bill	HC 370
2nd	Priorities of the Business and Trade Committee	HC 423
1st	Post Office and Horizon scandal redress: Unfinished business	HC 341
4th Special	Industrial Strategy: Government Response	HC 1305
3rd Special	How to strengthen UK-EU relations: Policy Priorities for the Summit: Government Response	HC 1267
2nd Special	Post Office Horizon scandal redress: Unfinished business: Government response	HC 969
1st Special	Make Work Pay: Employment Rights Bill: Government response	HC 932