

US Tariffs and the Global Economy

April 2025



Agenda

- **Welcomes and Introductions-** Alex Veitch, BCC Director of Policy & Insights
- **DBT update-** Graham Floater, Director, UK-US Trade
 - Q&A
- **BCC Briefing-** William Bain, Head of Trade Policy
 - Q&A

Department for Business and Trade update



- Graham Floater, Director, UK-US Trade

US Tariffs timeline

- **12 March** – **25%** import duties on UK and global steel, aluminium and derivative products entering the US. Applies to wide range of products from furniture, construction, tableware, nuts, screws,. Already having effect on **supply chains**.
- **2 April** – reciprocal tariffs announced (see next section)
- **3 April** – **25%** additional import duties on UK and global automotive vehicles entering the US. This is on top of previous duties of **2.5%**, making duties on cars payable at new rate of **27.5%**.
- **5 April** – **10%** additional import duties on affected products took effect (global baseline rate)
- **9 April** – US reciprocal tariffs on **50** countries above **10%** global baseline came into effect but were suspended on the same day for 90 days for non-retaliating countries. For China, the increase in duty was raised to 125%. EU Ministers voted on first sets of retaliatory tariffs on steel and aluminium

US Tariffs timeline

- **10 April** – China **84%** retaliatory tariffs on all US goods imports due to come into effect.
- **15 April** – EU first set of retaliatory tariffs to take effect but may now be suspended.
- **17 April** – Decision from US Trade Representative Office on shipping landing charges – potentially new charges of **\$1.5m** per landing for shipping lines at US ports which have China made boats in their fleets or on order. Will impact on logistics.
- **3 May** – **25%** duties to apply to automotive parts imported for use in US-made vehicles (estimated **\$460bn** of cars and car parts covered by new duties) – engines, lithium batteries, tyres, shock absorbers, computers.
- **8 July** – 90 day suspension period for non-retaliating countries of reciprocal tariffs above global baseline rate of 10% due to end.
- **22 November** – deadline for report on **copper tariffs** to go to President.

US Tariffs – the new plan

- **10%** global baseline tariff on all imports applied from 5 April, including to goods of UK origin.
- Beyond the baseline, differential tariffs country by country represent biggest shift in global goods trade since **1947**. Tension with WTO rules.
- Pharmaceuticals, semiconductors, lumber, copper, energy, critical minerals, steel, aluminum excluded.
- May be further sectoral tariffs announced soon on pharmaceuticals,.
- Duties not stacked – so no supplement on steel/aluminium/automotive tariffs.
 - **9 April** – further reciprocal duties now applied if tariff assessment made beyond **10%** for individual states but have been suspended for 90 days for non-retaliating countries.
 - These duties are not cumulative with the sectoral tariffs announced.
 - China is the exception – it will face additional duties since **February 2025 of 125% from 9/10 April**.

US Tariffs – the new plan

- How the US Government did the assessment for each country – focus on trade balances in goods.
- Reciprocal tariffs meant to examine line by line tariff, regulatory, fiscal issues in each trading market.
- Final plan applied a formula focused on goods trade surpluses between the US and trading partners.
- UK and Brazil both given **10%** reciprocal tariff (the baseline) – average **UK duties 1.3%, Brazil 13.29%**
- Examples of country assessments for tariffs originally to apply from **9 April** –
- Vietnam **46%**, Thailand **36%**
- China **34% (now with additional 50%)**, Taiwan **32%**, South Africa **30%**
- Switzerland **31%**, India **26%**, South Korea **25%**
- Japan **24%**, EU **20%**
- UK, Brazil **10%** (baseline)

US Tariffs – the new plan

- De minimis threshold (**\$800**) abolished on China sourced goods entering the US
- Duties will be enforced on low value consignments arriving containing goods from China
- Threshold stays in place for now on other countries **low value consignments** but could be reviewed once revenue collection processes fully evaluated
- If countries reduce their trade imbalances or produce plans to achieve that, reciprocal tariffs can be **adjusted downwards** by the President.
- If countries adopt further retaliatory measures, their reciprocal tariffs **can be adjusted upwards** by the President – see potential changes in tariff rates to be applied to China imports.

US Tariffs – non-preferential rules of origin

- Goods that are wholly obtained in the UK — with all content and manufacturing processes carried out domestically — will attract the **10% global baseline tariff increase** (in effect since **5 April**), provided the US classifies the UK as the **country of origin** under its **non-preferential origin rules**.
- For **mixed-origin goods**, or goods comprising **imported components assembled in the UK**, US Customs and Border Protection (**CBP**) will apply the **non-preferential rules of origin** to determine the correct country of origin and, in turn, the applicable tariff rate
- To qualify a good as being of **UK origin**, the product must satisfy the **substantial transformation** test.
- This test has been developed through **CBP rulings and US court decisions**, and determines whether the processing or assembly in the UK results in a **new and different article of commerce** — with a distinct **name, character, or use** — compared to the original imported materials or components.

US Tariffs – non-preferential rules of origin

- Substantial transformation typically requires that the manufacturing process **adds significant value** and results in a **fundamental change** to the product's form, function, or essential character. Simple packaging, dilution, or minor assembly operations **do not qualify** as substantial transformation.
- **Assembly** can amount to substantial transformation, depending on the **nature and complexity** of the process.
- A key CBP decision from **2016** (HQ H287548) clarified this multi-factor approach, emphasising that **no single factor is determinative**, but rather the **totality of circumstances** must support a finding of substantial transformation.

US Tariffs – non-preferential rules of origin

CBP considers a range of factors when assessing substantial transformation, including:

- Number of **components** assembled
- Number and type of **operations** involved
- Time required for **assembly**
- **Skill levels** of workers
- Level of **detail and precision** in assembly
- **Value added** by assembly
- Design and **development resources** expended
- Extent of **post-assembly** inspection and testing
- Nature of post-assembly **testing**
- **Origin and significance** of components used
- **Employment generated** by the process

Global retaliatory action

- **China** – **imposed 34%** retaliatory duties on US goods imports. **In excess of 50%** of China exports to the US affected by the high tariff wall. Risk of diversion of goods into other markets with low MFN tariffs, eg. the UK.
- **EU** – two stage response – **vote on 9 April** on steel and aluminium tariff response – was due to take effect on **15 April**. EU scaling back scope of response **from original €26bn to just under €22bn**.
- **25% duties** on some products, **10-25%** on orange juice, poultry, soyabeans. Bourbon, wine and dairy products not subject to retaliatory tariffs.
- **EU** - second tranche of measures could apply from **15 May**: tariffs only, or using the EU Anti Coercion Instrument to target US tech companies, intellectual property, procurement and services market access?
- **UK** – no increase in duties for now. HMG considering how tariffs might increase if required – **call for input for businesses until 1 May**.

Global retaliatory action

- **Australia** - no increase in duties for now.
- **India** – no increase in duties for now.
- **Japan** - no increase in duties for now.
- **Canada** - retaliatory package including **25% tariffs** on US auto exports but currently in election campaign
- US discussions underway with **around 70 countries**.
- **US response**: consideration of measures like export tax credits (generally permissible under WTO rules)
- **Non-preferential rules of origin and relevant certification** to prove origin will become key for trade with the US if goods have China-origin content.

UK Government policy response

- PM – calm, cool headed approach. No retaliatory action for now.
- Seeking **economic partnership deal** with the US to lower some tariffs and remove others.
- Preparing for eventuality of future response with **Call for Input** on tariffs.
- **Likely UK offer:** lower tariffs on agri-food imports, co-operation on technology, new agreement on technology taxation
- **Industrial policy:** changes to Net Zero timeline for automotive companies and EV mandate. Changes to subsidies rules to authorise **individual awards of up to £25m** without mandatory investigations. BCC called for uprating of threshold.
- **Trade policy:** increased resources at Trade Remedies Authority, using policy levers on anti-dumping duties to address unfair competition on prices where domestic industry faces injury; steel safeguard duties due to expire in June 2026 – BCC calling on these to be renewed.

Intra-UK effects of US tariffs and retaliation

- Under Windsor Framework, two effects –
- First, if **EU trade remedies**, eg. anti-dumping duties diverge from those of the UK, EU duties will apply in NI. Means two different rates of trade remedies applicable within single UK customs territory.
- Second, if EU tariffs (on US imports) are higher than UK tariffs, and the **difference exceeds 3% on goods** at risk of entering the EU Single Market, then **NI importers will pay the EU tariffs**. NI traders can seek to claim the additional duties back through the **Duty Reimbursement Scheme (DRS)**.
- NI businesses and some politicians say the DRS is not fit for purpose.
- **Consumer prices may rise in NI** – which has the lowest disposable income of any part of the UK.

BCC Insights Unit research – 600 firms

Thank you for your input!

- **62% of UK firms** with trade exposure to the USA say they will be negatively impacted by US tariffs, compared to **41%** with no exposure
- **32% of firms** with trade exposure to the USA say they will increase prices in response to the tariff
- **44% of firms** with exposure to the USA say the UK should seek to negotiate a closer trade relationship with the USA, and **43%** want closer trade with other markets
- **Just under a quarter (21%)** think the UK should impose retaliatory tariffs
- **45% of firms** trading with the US think being outside the EU has given us a disadvantage, while **38%** think it is an advantage

BCC Positions on Tariffs

- **Negotiate not retaliate.** Marathon not a sprint - and getting the best deal for the UK is what matters most.
- Some of our businesses are relieved they thought it would be much worse...Better news than feared – but still a bad situation.
- **Cars, steel and aluminium** industries already facing much higher tariffs
- No winners in the current scenario. Lose-lose for everyone.
- **Impact will be....**
 1. Orders will drop
 2. Prices will rise
 3. Global economic demand will be weaker as a result.

US Tariffs – What Next? Asks from Government

- **Secured:** changes to subsidies rules and thresholds, permitting awards on community development using fast-track process and raising threshold limit for awards without mandatory call-in to **£25m**.
- **Secured:** greater recourse to anti-dumping and import surge measures to avoid risk of trade diversion where unfair competition affecting UK production would be involved.
- **Seek economic partnership** agreement with the US to relieve impact of new tariffs.
- Negotiate closer trading terms with **EU and partners in CPTPP trade zone**.
- **British Business Bank** should provide support for companies facing economic distress and cashflow problems from the sudden imposition of duties and effects upon orders.
- **Press Government** on what further action **UK Export Finance** can have to cushion the impact upon SMEs.
- Outline **BCC priorities** for continued US trade negotiations to the PM and Secretary of State for Business and Trade.