US Tariffs – Implications of President Trump's Greenland statement

What did the President say on 17 January?

If 8 European states, including the UK, oppose the US acquisition of Greenland, and following recent military personnel activity by them there, tariffs of 10% would be applied to goods of those countries imported into the US on 1 February, with a further 15% increment being added to tariff rates on 1 June. Previous tariff announcements have been related to either balance of trade or national security concerns. This is the first time that a geopolitical matter has been the principal driver of tariff proposals in the President's second term in office, rather than being linked to claimed trade imbalances. No Proclamation or Executive Order has been issued by the President to implement this plan as yet, and that may not emerge until very close to implementation judging past precedents of tariff announcements in 2025 and early this year.

What does this mean for UK businesses?

There are nearly two weeks to go until the tariffs would be due to take effect, with potential negotiations in the interim, but so far the President has doubled down on his tariffs statement. If the legal basis is established for across the board tariffs, the impacts on £60bn of UK annual goods exports to the US would be £6bn in additional annualised costs from 1 February to be met by US business, consumers, or UK companies themselves in some cases, rising to £15bn in annualised additional costs from 1 June. **The impact of these new proposed tariffs is therefore greater in magnitude than the US tariff changes made in 2025.** UK companies who supply goods to US customers via delivery duty paid (DDP) trading terms would have to meet these costs directly. Otherwise the customers will meet the costs on importing the goods. Overall effects of greater uncertainty, reduced orders, higher costs, and lower margins for the 40,000 UK exporting firms trading goods with the US.

How are tariffs currently affecting the UK and US economies?

The Office for Budget Responsibility forecast in November at the time of the Budget that UK export growth would be 3.3% in 2025 but fall markedly to 0.3% in 2026. The Yale University Budget Lab estimates that 0.4% would be knocked off US economic growth in 2025 from tariff effects, but that growth of 3.2% was still expected for 2025. Higher US tariffs could have negative effects on UK growth, with estimates of 0.1% to 0.3% annualised growth reductions from a range of UK economic forecasters on 19 January depending upon the final scale of confirmed tariffs.

Surveys from the British Chambers throughout 2025 found that tariffs were one of the main causes of declining business sentiment (alongside UK tax rises) - after the April tariff announcement, 62% of firms with exposure to the USA and 41% of those without expected a negative impact, mainly in terms of increased prices.

How might the tariffs be introduced?

The implication from the President's statement is that these would be new duties, stacked upon existing tariffs.

Section 232 tariffs – steel, aluminium, copper

In sectors such as automotive, steel, aluminium, copper, and semiconductors where duties under section 232 of the US Trade Expansion Act 1962 are in place, the President has powers to vary existing section 232 duties. This would have to involve exemptions for those countries not party to the dispute over Greenland. Currently on UK steel, aluminium and many derivative products of these alloys 25% duties have applied since March 2025. A phased rise in duty could take the applicable rate up to 50% by early June.

Semiconductor goods
The President has recently announced 25% duties on semiconductors and derivative products unless in supply chain sectors seen as crucial in the development of AI or other critical supply chain sectors. Duties on semiconductor products in scope could be similarly doubled by early June.

Automotives
The UK and US reached a deal last year on a 100,000 vehicle annual quota for UK car exports to the US to face lower tariffs of 10% compared with the 27.5% section 232 duties applied from spring 2025. This covers just about all of the UK's car exports to the US, focused on the upper end of the market. There are no indications for now that this deal is being reconsidered, but if the tariffs suggested by the US President were to go ahead and the deal was suspended, powers do exist to extend the scope of the duties on cars once more to affect UK car exports on a similar scale to last May.

Pharmaceutical products
A deal was reached in December to ensure that tariffs on pharmaceutical exports from the UK to the US remained at zero. An investigation is underway by the US Government on potential new measures under section 232 applicable to the rest of the world, but general section 232 tariffs are not in place yet for pharmaceutical products which would make increasing tariffs on those much more difficult for the President.

Other goods sectors
In other goods sectors from food and drink to clothing to industrial goods, new tariffs would most likely be levied by Executive Order under the International Emergency Economic Powers Act (1977) (IEEPA) which the President used to introduce his "reciprocal" tariffs from early April 2025. In affected sectors, the additional rate applicable to UK goods entering the US is 10%, stacked on the pre-existing US most-favoured nation tariff rates on imports. For example, the tariff on a woollen jumper exported from the UK to the US is currently 22% (12% MFN plus 10% reciprocal tariffs). If the new tariffs stacked on the existing IEEPA rates, this would produce a combined tariff rate of 20% plus MFN from 1 February, and 35% plus MFN from 1 June. Tariffs on Scotch whisky could be 35% from 1 June.

National security is one of the purposes which can be used to invoke IEEPA but the President's use of the Act is being challenged in the Supreme Court, in a case brought by 1,000 US firms. The Supreme Court ruling, when it comes, will have an impact on the usage of IEEPA authority for some tariffs. If deemed unconstitutional, Plan B for the President could be using Section 122 of the Trade Act (1974) - giving him the power to levy tariffs of up to 15% for rolling 150 day periods. This would only allow use of the Act to deal with balance of payments issues however and not matters of national security, which is the President's justification for the Greenland-related tariffs. An adverse ruling would present a spanner in the works for any further usage of IEEPA authority, but may not directly apply to future usage based on a distinct national security basis.

Can the US levy different tariffs on individual EU states?

Yes, in distinguishing between different states on tariffs, the US approach is focused on country of origin. For example, goods from Guadeloupe and Martinique were subject to a different tariff to the EU in 2025 under IEEPA, despite being part of France and the EU. It would make EU-US trade increasingly complex with new rules of origin required to be developed. The EU is considering standing up its proposed tariff counter-measures suspended following the Turnberry Agreement last autumn as well as usage of its Anti Coercion Instrument (ACI).

Does the UK have an equivalent of the EU's economic security powers, especially its ACI?
Not currently. Prior to this dispute, DBT was due to consult on expanding Ministers' legal and policy toolkit to deal with complex trade-related disputes, with potential legislation being examined for the King's Speech in May.

BCC Insights Unit snap research findings on US tariffs plans

Using its unique access to companies across the UK, the British Chambers of Commerce award winning Insights Unit carried out a snap survey of nearly 350 businesses, over a 24-hour period between Monday and Tuesday lunchtime this week (19-20 Jan).

- **A third of surveyed businesses (33%) say they will be exposed to the latest US tariff threat**
- **Of those exposed to the tariff threat, 33% of businesses are already taking action**
- **55% of those exposed say they see risk, but have yet to take any action**

Of firms exposed, 17% are carryingout contingency planning and 12% are already planning a strategic shift to reduce exposure to the United States. While, 4% of exposed businesses are carrying out active adjustments, changing aspects of their operations. A further 12% of firms say they'll be exposed but expect no change because they think the tariffs won't be implemented.

What should Government do?
Our DG met with Minister Bryant in a pre-arranged meeting on 19 January and discussed US tariffs impacts upon UK companies. DBT's US team are joining us on a special BCC Trade Policy Committee meeting with the Network on US tariffs on 22 January. We have surveyed companies this week through the Insights Unit, and looking to host a BCC webinar on US tariffs in the week of 26 January. We have been active in pressing key business lines when the President's statement was released and daily since then both in print, online and broadcast media.

The uncertainty facing multiple sectors even with the benefits from the Economic Prosperity Deal still in place is real. **We urge calm but firm negotiations to de-escalate the current situation and recognise the mutual benefits to both economies of transatlantic trade and upholding the commitments of the deals in place.** Measures we asked for last year in the initial phase of new tariffs, included:

- **Additional export finance lending capacity from UKEF – was extended by HMG to £80bn last spring. DBT announced on 20 January plans to bringing forward new legislation to expand this capacity very soon.**
- **Support for firms facing cash flow pressures through expansion in scope of British Business Bank loans. Extended by DBT last spring.**
- **Examine scope for targeted further unilateral UK Global Tariff (MFN) reductions to support key manufacturing sectors and consumers with cost pressures.**

These are measures which HMT/DBT/UKEF should consider revisiting in the new landscape with potential additional US tariffs applying from 1 February.