What President Trump and his tariff plans will mean for global trade

Contrary to the expectations of many political pundits on both sides of the Atlantic, Donald Trump has been elected President of the United States of America for a second time, not only winning the majority of states, but also securing the popular vote by a considerable margin.

Whilst everyone absorbs the magnitude of this political earthquake and what it means for the rest of the world, several economists are already suggesting that his 'America First' economic policies will not only change his own country but could also adversely impact the UK economy.

The cornerstone of these policies involves a proposed 60% tariff on Chinese imports and a baseline 10% on all other imports. While aimed at bolstering US

Contrary to the expectations of many political pundits on both sides of the Atlantic, Donald Trump has been elected President of the United States of America for a second time, not only winning the majority of states but also securing the popular vote by a considerable margin.

Read More

Related Articles

- The budget will stifle the ability of the private sector to boost the economy BusinessLive

Read More

Related Articles

- Urgent action needed to save Welsh universities from a real danger of financial collapse BusinessLive

Whilst everyone absorbs the magnitude of this political earthquake and what it means for the rest of the world, several economists are already suggesting that his 'America First' economic policies will not only change his own country but could also adversely impact the UK economy.

The cornerstone of these policies involves a proposed 60% tariff on Chinese imports and a baseline 10% on all other imports. While aimed at bolstering US manufacturing, such protectionist policies are also likely to destabilise global trade networks and could seriously affect UK businesses, particularly those with international supply chains.

The latest data shows that the USA remains our biggest trading partner, with UK businesses exporting goods and services worth £304bn annually. Any tariff changes could have a major impact on high-value sectors such as aerospace, vehicle manufacturing, and the pharmaceutical industry.

In addition, higher import costs could result in challenges for businesses dependent on foreign goods, particularly raw materials and components. If they are unable to absorb these elevated costs indefinitely, such businesses may pass the expense onto consumers, adding pressure to a scenario where, as reactions to last week's Budget statement noted, inflation may soon be rising again.

For example, the National Institute of Economic and Social

Research has suggested that these import tariffs could push UK inflation up by an additional 2–3% over the next two years. If the UK economy is already grappling with higher inflation due to changes in the Budget, such as the increase in employers' national insurance contributions, any further increases could lead to a significant erosion of consumer purchasing power, especially in sectors like retail, where discretionary spending is vital.

Whilst we have seen a cut in interest rates this week, this may be short-lived if the Bank of England responds to inflationary pressures with rate hikes. Such action would further impact household budgets, particularly for those on variable-rate mortgages. Higher rates might also reduce consumer confidence and spending, dampening growth in the broader economy.

On the jobs front, the Trump tariff regime could put several UK industries at risk. Export-reliant sectors may suffer from reduced demand as costs climb and global trade slows. Major manufacturers in industries such as aerospace or automotive sectors, some of which are significant employers in Wales and the Midlands, may be forced to downsize, threatening regional economies dependent on these large employers.

There is also the question of whether, under this focus on onshoring by the new Trump administration and potential tax breaks to create jobs in the USA, there will be a lower level of foreign direct investment by U.S. firms. This could be a serious issue given that the latest statistics from the Department for Business and Trade show that foreign direct investment into the UK from the United States was £703bn, accounting for 34% of all overseas spending.

Given this, the real question is whether the Labour Government has factored a Trump presidency into its scenarios for the Budget or, like many other politicos in the UK, ignored the possibility because they wanted someone else in the White

House. With economists suggesting that the UK's economic growth could shrink from a projected 1.2% to just 0.4% if these tariffs are implemented, the plans outlined by the Chancellor of the Exchequer last month may need rethinking, forcing the government to change its fiscal strategy and prioritise stability over growth.

Yet amidst these challenges, some UK businesses could also find opportunities, as such protectionist policies may limit US access to certain international markets, creating space for UK firms to fill the gap. For example, British companies in industries like technology, finance, and pharmaceuticals may find themselves in a stronger position to expand in Europe and Asia if American companies become less competitive due to tariffs.

Additionally, if Trump's policies strain his administration's relationship with the European Union, it could be an opportunity for the UK to strengthen its trade relations with Europe despite the challenges in the current post-Brexit landscape.

Another area of potential growth lies in sectors less impacted by global trade dynamics, such as domestic services, agriculture, and energy. These industries, which are often more insulated from international supply chains, might be able to weather the storm more effectively, giving them a chance to expand and hire within the UK. Also, if inflation dampens demand for international goods, UK businesses focused on local production may find renewed interest among consumers, potentially helping smaller, regionally-focused businesses.

Therefore, the next few months will reveal how prepared the current UK government is for the impact of a second Trump administration and whether it will need to make further changes to its policies if economic growth stalls. Whilst it has been reported that both ministers and the Governor of the Bank of England have suggested a "wait and see" approach,

there are already indications that the White House will press ahead quickly with imposing tariffs in the New Year.

If that is the case and there is a failure to deal with the challenges posed by the new President's 'Made in America' mantra, then all the changes in the Budget will count for little. And if, after promises of economic growth, voters in the UK feel worse off at the time of the next general election than they do now, they could punish the incumbent government in the same way that American voters did earlier this week with the Biden-Harris administration, manufacturing, such protectionist policies are also likely to destabilise global trade networks and could seriously affect UK businesses, particularly those with international supply chains.

The latest data shows that the USA remains our biggest trading partner, with UK businesses exporting goods and services worth £304bn annually. Any tariff changes could have a major impact on high-value sectors such as aerospace, vehicle manufacturing, and the pharmaceutical industry. In addition, higher import costs could result in challenges for businesses dependent on foreign goods, particularly raw materials and components. If they are unable to absorb these elevated costs indefinitely, such businesses may pass the expense onto consumers, adding pressure to a scenario where, as reactions to last week's Budget statement noted, inflation may soon be rising again.

For example, the National Institute of Economic and Social Research has suggested that these import tariffs could push UK inflation up by an additional 2–3% over the next two years. If the UK economy is already grappling with higher inflation due to changes in the Budget, such as the increase in employers' national insurance contributions, any further increases could lead to a significant erosion of consumer purchasing power, especially in sectors like retail, where discretionary spending is vital.

Whilst we have seen a cut in interest rates this week, this may be short-lived if the Bank of England responds to inflationary pressures with rate hikes. Such action would further impact household budgets, particularly for those on variable-rate mortgages. Higher rates might also reduce consumer confidence and spending, dampening growth in the broader economy.

On the jobs front, the Trump tariff regime could put several UK industries at risk. Export-reliant sectors may suffer from reduced demand as costs climb and global trade slows. Major manufacturers in industries such as aerospace or automotive sectors, some of which are significant employers in Wales and the Midlands, may be forced to downsize, threatening regional economies dependent on these large employers.

There is also the question of whether, under this focus on onshoring by the new Trump administration and potential tax breaks to create jobs in the USA, there will be a lower level of foreign direct investment by US firms. This could be a serious issue given that the latest statistics from the Department for Business and Trade show that foreign direct investment into the UK from the United States was £703bn, accounting for 34% of all overseas spending.

Given this, the real question is whether the Labour Government has factored a Trump presidency into its scenarios for the Budget or, like many other politicos in the UK, ignored the possibility because they wanted someone else in the White House. With economists suggesting that the UK’s economic growth could shrink from a projected 1.2% to just 0.4% if these tariffs are implemented, the plans outlined by the Chancellor of the Exchequer last month may need rethinking, forcing the government to change its fiscal strategy and prioritise stability over growth.

Yet amidst these challenges, some UK businesses could also find opportunities, as such protectionist policies may limit

US access to certain international markets, creating space for UK firms to fill the gap. For example, British companies in industries like technology, finance, and pharmaceuticals may find themselves in a stronger position to expand in Europe and Asia if American companies become less competitive due to tariffs.

Additionally, if Trump's policies strain his administration's relationship with the European Union, it could be an opportunity for the UK to strengthen its trade relations with Europe despite the challenges in the current post-Brexit landscape.

Another area of potential growth lies in sectors less impacted by global trade dynamics, such as domestic services, agriculture, and energy. These industries, which are often more insulated from international supply chains, might be able to weather the storm more effectively, giving them a chance to expand and hire within the UK. Also, if inflation dampens demand for international goods, UK businesses focused on local production may find renewed interest among consumers, potentially helping smaller, regionally-focused businesses.

Therefore, the next few months will reveal how prepared the current UK government is for the impact of a second Trump administration and whether it will need to make further changes to its policies if economic growth stalls. Whilst it has been reported that both ministers and the Governor of the Bank of England have suggested a "wait and see" approach, there are already indications that the White House will press ahead quickly with imposing tariffs in the New Year.

If that is the case and there is a failure to deal with the challenges posed by the new President's 'Made in America' mantra, then all the changes in the Budget will count for little. And if, after promises of economic growth, voters in the UK feel worse off at the time of the next general election than they do now, they could punish the incumbent government

in the same way that American voters did earlier this week with the Biden-Harris administration.