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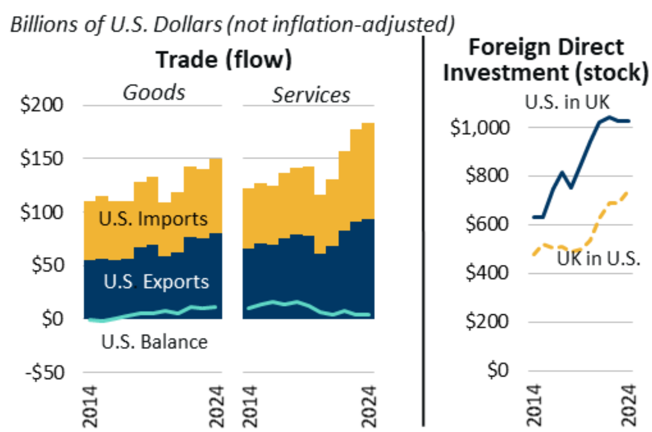
U.S.-UK Trade Relations: Background and Select Issues

The United States and the United Kingdom (UK) are among the world's largest economies and are close trade and investment partners (**Figure 1**). During the first Trump Administration, following the UK's withdrawal from the European Union (EU) ("Brexit," see **text box**), the United States and the UK negotiated but did not conclude a comprehensive free trade agreement (FTA). During the second Trump Administration, after the imposition of U.S. tariffs and U.S.-UK trade talks, the two governments announced in May 2025 a framework deal to address tariffs and other issues. Members of the 119th Congress may oversee implementation of the framework deal; consider whether or not to support proposals to modify tariff authorities delegated to the executive branch that could affect U.S.-UK trade; consider whether or not to support proposals to pursue bilateral FTA talks; and deliberate on U.S. trade policy toward the UK more broadly.

Figure 1. U.S.-UK Trade and Investment



Source: CRS, with U.S. Bureau of Economic Analysis (BEA) data.

UK Economic Background and U.S.-UK Trade Ties

In 2024, the UK was the world's sixth-largest economy, based on gross domestic product (GDP) at current prices. UK real GDP grew 1.1% in 2024. Services comprised 72.8% of the UK economy. The UK economy has faced sluggish growth in recent years following Brexit, although it has been difficult to disentangle Brexit's economic effects from other factors, such as COVID-19. UK Prime Minister (PM) Keir Starmer has sought to grow the UK economy through measures such as infrastructure investments. Some observers question the extent to which the U.S. tariff actions announced since January 2025 might affect UK economic growth. In April 2025, the International Monetary Fund revised its projection for UK economic growth in real GDP for 2025 from 1.6% to 1.1%.

In 2024, the UK was the United States' ninth-largest goods trade partner and largest services trade and foreign direct investment (FDI) partner by country. Top U.S. bilateral goods exports included gold; civilian aircraft, engines, and parts; petroleum oil (crude); and medications (excluding vaccines). Top U.S. bilateral goods imports included motor vehicles; turbojets/turbines; blood and related products; and medications (excluding vaccines). Financial and business services were top services traded bilaterally. U.S. FDI in the UK was $1.1 trillion, concentrated in non-bank holding companies, finance, and insurance; UK FDI in the United States was $743 billion, concentrated in manufacturing (historical-cost basis, stock). In 2024, the U.S. share of UK exports and imports was 23% of 13%, respectively; the EU accounted for 41% of UK exports and 51% of UK imports.

UK Post-Brexit Developments

In January 2021, the UK completed its withdrawal from the EU, leaving the EU single market and customs union and regaining control of its trade policy, including to negotiate its own trade deals with other countries. The UK-EU Trade and Cooperation Agreement (TCA), signed on December 30, 2020, underpins UK-EU post-Brexit trade ties. The TCA provides for tariff-free treatment for qualifying UK-EU goods trade, but did not replicate EU single market access (free movement within the EU of goods, services, capital, and people). It has limited provisions in some areas (e.g., financial services regulation). It also added customs procedures and health and safety checks on traded goods.

During Brexit negotiations and since, the parties have grappled with how to handle the treatment of goods flowing between Northern Ireland (part of the UK) and the Republic of Ireland (EU member), a complex matter due to Northern Ireland's political history and peace process. The parties developed the Ireland/Northern Ireland Protocol as a part of the UK-EU Withdrawal Agreement to avoid a hard border between Northern Ireland and Ireland (e.g., no physical customs infrastructure), while also respecting the rules of the EU single market. The Protocol kept Northern Ireland, unlike the rest of the UK, aligned with some EU trade rules. Implementation of the Protocol disrupted some trade between Northern Ireland and the rest of the UK, and also raised political tensions within Northern Ireland and between the UK and the EU. In 2023, the UK and the EU concluded the Windsor Framework to amend the Protocol, easing checks on some goods entering Northern Ireland from the rest of the UK, while ensuring that goods heading to Ireland comply with EU rules. As part of additional post-Brexit cooperation, the UK and the EU have committed to develop a sanitary and phytosanitary (SPS) agreement to ease checks on trade in plant and animal products.

The UK government has developed some trade deals to replace those negotiated by the EU—deals to which the UK had been a party as an EU member. It also is working to develop trade deals with new partners. In May 2025, the UK reached a trade deal with India and a framework deal with the United States (see below). In June 2025, the UK issued industrial and trade strategies to support UK businesses, promote services and exports, and formulate measures against unfair trade practices.

U.S.-UK Tariff Issues and Bilateral Deal

Since January 2025, the Trump Administration has imposed tariff actions that affect the UK, including a 10% tariff under the International Emergency Economic Powers Act (IEEPA) and tariffs of 25% on steel, aluminum, and automotives under Section 232 of the Trade Expansion Act of 1962, as amended ("Sec. 232"). UK officials have called the U.S. tariffs "regrettable." The UK has not announced any retaliatory measures to date, though in April 2025, it held a public consultation on potential measures. In May 2025, President Trump and PM Starmer concluded General Terms of the U.S.-UK Economic Prosperity Deal (EPD) to reduce and eliminate certain tariffs, and cooperate on other issues (e.g., agriculture, digital trade, economic security). The General Terms did not change the 10% IEEPA tariff. In June, President Trump issued Executive Order 14309, announcing EPD-related actions to reduce tariffs on UK automotive and aerospace imminently, and on steel and aluminum products at a future date. The UK government also committed to implement tariff proposals to improve access for imports of U.S. beef and ethanol. (**Table 1**.)

Table 1. U.S.-UK Economic Prosperity Deal (EPD)

Select Provisions of EPD General Terms	Select U.S. and UK Actions
After a "reasonable period of negotiation," each side "intends to reduce" tariffs on the other "in sectors of importance."	Executive Order (E.O.) 14309 (June 16, 2025) provided for a quota under which the first 100,000 UK vehicles imported into the United States will face a 10% tariff, with additional vehicles each year facing the 25% tariffs under Section 232 of the Trade Expansion Act of 1962, as amended ("Sec. 232"). (A June 3 proclamation increased the Sec. 232 tariffs to 50%, while excluding the UK from the increase. It stated that the UK could face the increase starting on or after July 9, depending on EPD compliance; to date, the tariff rate for the UK is 25%.) The E.O. also provided for elimination of U.S. tariffs on some UK aerospace products. These E.O. actions were implemented by 90 *Fed. Reg.* 123 (June 30, 2025).
UK to eliminate a 20% tariff on U.S. beef and create a "preferential duty-free quota" for 13,000 metric tons of U.S. beef, with the United States to take equivalent action on UK beef. UK also to create duty-free quota for 1.4 billion liters of U.S. ethanol.	Announcement by UK government (originally June 16, 2025) that it will execute its legislative process to take these actions. A UK press release announced the entry-into-force of the beef and ethanol quotas on June 30, 2025. To date, the United States does not appear to have taken action regarding the beef quota.
U.S. and UK to negotiate an alternative arrangement to the Sec. 232 steel and aluminum tariffs, provided the UK meets supply chain security requirements.	E.O. 14309 provided for a future tariff-rate quota (no date set) to allow a certain amount of U.S. steel and aluminum imports from the UK to enter at most-favored-nation rates, subject to conditions.
U.S. and UK to negotiate on preferential treatment for pharmaceuticals and seek preferential outcomes on goods that may face future U.S. tariffs.	Sec. 232 investigations are active, such as on semiconductors, pharmaceuticals, and aircraft.

Source: CRS, using the EPD and other U.S. and UK official sources.

Other Bilateral Trade Issues

In 2018, the first Trump Administration notified Congress under the now-expired Trade Promotion Authority (TPA) of its intent to negotiate a comprehensive FTA with the UK post-Brexit. It conducted five rounds of negotiations in 2020. Some U.S. and UK industry groups supported an FTA as a vehicle to enhance U.S.-UK market access and regulatory alignment. Some in UK civil society opposed a potential FTA, arguing that it would weaken UK food safety and other regulations. Among other contentious issues were e-commerce, financial services, and pharmaceuticals. Neither the Biden Administration nor the second Trump Administration have revived FTA talks.

During the Biden Administration, the U.S. and UK governments negotiated deals on targeted issues such as the Sec. 232 steel and aluminum tariffs, the "Boeing-Airbus" subsidies dispute in the World Trade Organization (WTO), and the UK digital services tax (DST) (see below). The Biden Administration also engaged with the UK on supply chains and digital technology, and launched negotiations on a critical minerals agreement (CMA) that was not finalized.

Remaining bilateral trade issues include UK restrictions on genetically modified food products, which the U.S. Trade Representative (USTR) raised in a 2025 report identifying foreign trade barriers to U.S. exports. USTR also noted concerns raised by U.S. exporters that the UK may continue to retain EU regulatory approaches, which they perceive as restrictive, to agricultural chemicals and pesticides.

Another area of contention is digital trade. In February 2025, President Trump directed USTR to determine whether to renew an investigation under Section 301 of the Trade Act of 1974 of the UK and some other countries' DSTs, noting U.S. tariffs could be used to respond to these taxes. USTR investigated UK's DST in the first Trump Administration and determined that it discriminated against U.S. firms; it imposed and then immediately suspended tariffs to allow time for then-ongoing negotiations on a new global tax framework. Implementation has stalled of the framework, which was developed in 2021, and President Trump withdrew U.S. support in his second term.

Issues Facing the 119th Congress

Congress is debating the delegation of tariff authorities to the executive branch, which could affect U.S.-UK trade. Some Members seek to limit the President's authority to impose tariffs (e.g., H.R. 407, H.R. 1903, S. 1272/H.R. 2665); others favor expanding tariffs (e.g., H.R. 505, H.R. 735). Members also may debate the EPD's scope. Some stakeholders have applauded the EPD for promoting fair trade and expanding U.S. access to the UK market; others have criticized the persistence of the 10% IEEPA tariff, Sec. 232 steel and aluminum tariffs, and UK DST.

Among other issues, some Members have called for providing TPA-like authority to the President to negotiate a comprehensive FTA with the UK (e.g., H.R. 1743, S. 776). Some experts are optimistic that a U.S.-UK FTA could be concluded with relative ease, given U.S.-UK shared interests. Others hold that talks can be protracted even among like-minded partners due to domestic sensitivities. UK regulatory alignment with the EU (e.g., on SPS, agriculture) could add other complexities to potential U.S.-UK FTA talks, given some U.S.-EU regulatory differences.

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