U.S.-UK Trade Relations: In Brief

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SUMMARY

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July 17, 2026

Shayerah I. Akhtar
Specialist in International Trade and Finance

The United States and the United Kingdom (UK)—the world's first- and fifth-largest economies, respectively—have a highly integrated trade and economic relationship. Bilateral trade and investment ties are significant to each country, and the U.S. and UK governments have remained close economic partners following the UK's withdrawal ("Brexit") from the European Union (EU).

President Trump has prioritized tariffs as a trade policy tool to address trade practices that his Administration characterizes as unfair, as well as to address other issues. The Trump Administration has imposed both across-the-board and sector-specific additional tariffs on U.S. imports, including from the UK.

In May 2025, President Trump and UK Prime Minister Keir Starmer announced general terms for a bilateral Economic Prosperity Deal (EPD) to address certain tariff and other trade issues. The two governments have taken actions to implement certain aspects of the EPD general terms, including, on the United States' part, capping most additional tariffs on UK products at 10%. Other aspects of the general terms of the EPD remain outstanding, such as developing an alternative arrangement to the U.S. tariffs on UK steel and aluminum under Section 232 of the Trade Expansion Act of 1962, as amended. Meanwhile, other issues remain in the relationship, including U.S. concerns regarding the UK's digital services tax (DST).

The 119th Congress may oversee implementation of the EPD general terms; consider whether to support proposals to modify tariff authorities delegated to the executive branch that could affect U.S.-UK trade; consider whether to support proposals to pursue negotiations on a bilateral free trade agreement (FTA) to address a more "comprehensive" set of trade issues; and deliberate on overall U.S. trade policy toward the UK and how it may affect bilateral relations more generally.

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Introduction

The United States and the United Kingdom (UK)—the world's first- and fifth-largest economies, respectively—have a highly integrated economic relationship. The two countries have historically been aligned on many trade policies, although frictions have emerged periodically over some issues. Bilateral trade and investment ties are significant to each country, and the U.S. and UK governments have remained close economic partners following the UK's withdrawal ("Brexit") from the European Union (EU) (see text box).[1]

UK-EU Post-Brexit Relationship

In January 2021, the UK completed its withdrawal from the EU, known as "Brexit," leaving the EU single market and customs union and regaining greater control of its trade policy, including negotiating its own trade deals with other countries. The UK government has developed some trade deals to replace those negotiated by the EU, to which the UK had been a party as an EU member. It is also working to develop trade deals with new partners, including the United States (see below) and India.

UK-EU Trade and Cooperation Agreement (TCA). The TCA, signed on December 30, 2020, underpins UK-EU post-Brexit trade ties. It provides tariff-free treatment for qualifying UK-EU goods trade but does not replicate EU single-market access (free movement within the EU of goods, services, capital, and people). The TCA also added customs procedures and health and safety checks on traded goods. The TCA has limited provisions in some areas (e.g., financial services regulation).

Ireland/Northern Ireland Protocol. The UK and the EU have grappled with how to handle the treatment of goods flowing between Northern Ireland (part of the UK) and the Republic of Ireland (an EU member), a complex matter due to Northern Ireland's political history and peace process.[2] 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.

Windsor Framework. In 2023, the UK and the EU concluded the Windsor Framework to amend the Ireland/Northern Ireland 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. The UK and the EU have committed to developing a sanitary and phytosanitary (SPS) agreement to ease checks on trade in plant and animal products. An EU-UK summit, planned for July 2026, has reportedly been postponed after the announcement of Starmer's resignation; the two sides had sought to reach an arrangement at the summit to further ease certain border checks for traded food and agricultural products.[3]

In his second term, President Trump has prioritized tariffs as a trade policy tool to address trade practices that his Administration characterizes as unfair, as well as other issues. The Trump Administration has imposed both across-the-board and sector-specific additional tariffs on U.S. imports, including from the UK. In May 2025, President Trump and UK Prime Minister Keir Starmer announced general terms for a bilateral Economic Prosperity Deal (EPD) to address certain tariff and other trade issues. The two governments have taken actions to implement certain aspects of the EPD general terms, including, on the United States' part, capping most additional tariffs on UK products at 10%.

On June 22, 2026, Keir Starmer announced his intention to resign as UK prime minister once his center-left Labour Party chooses a new leader. On July 17, 2026, Labour member of parliament

[1] For background, see U.S. Department of State, "U.S. Relations with United Kingdom," June 2, 2022.

[2] CRS Report R46259, *Northern Ireland: The Peace Process, Ongoing Challenges, and U.S. Interests*, by Kristin Archick.

[3] Jennifer Rankin, "European Leaders Pay Tribute to Starmer as EU-UK Summit Is Postponed," *Guardian*, June 22, 2026.

Andy Burnham (previously the mayor of Greater Manchester) was confirmed as the party's new leader and is expected to assume the office of prime minister on July 20, 2026. An open question is how a new UK prime minister will approach bilateral trade relations with the United States and trade policy more generally.

The 119th Congress may oversee implementation of the EPD general terms; consider whether to support proposals to modify tariff authorities delegated to the executive branch that could affect U.S.-UK trade; consider whether to support proposals to pursue negotiations on a bilateral free trade agreement (FTA) to address a more "comprehensive" set of trade issues; and deliberate on overall U.S. trade policy toward the UK and how it may affect bilateral relations more generally.

U.S.-UK Trade and Investment Ties

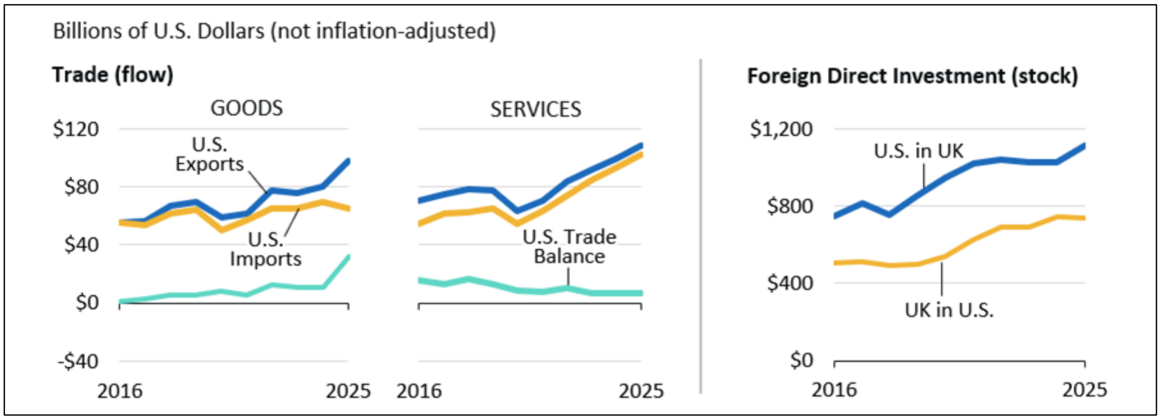
U.S. trade and foreign direct investment (FDI) with the UK has generally expanded over the last decade (see **Figure 1**).[4] The United States has both a goods and services trade surplus with the UK. While the bilateral services trade surplus has generally narrowed, the bilateral goods trade surplus has expanded over the last decade. The U.S. goods trade surplus with the UK reached $33 billion in 2025, three times larger than in 2024, and it ranked as the United States' second-largest bilateral goods trade surplus, after the Netherlands, in 2025.

- **Goods.** In 2025, the UK was the United States' fourth-largest market for U.S. goods exports ($97.4 billion), after Mexico, Canada, and China; 15th-largest supplier of U.S. goods imports ($64.8 billion); and 10th-largest partner in total goods trade (exports plus imports, $162.2 billion). In 2025, top U.S. goods exports to the UK included gold; civilian aircraft, engines, and parts; silver; petroleum oil (crude); and certain medications.[5] Top U.S. goods imports from the UK included motor vehicles; turbojets/turbines; medications (excluding vaccines); and blood and related products.
- **Services.** The level of bilateral services trade surpasses the already sizeable bilateral trade in goods. In 2025, the UK ranked as both the largest market for U.S. services exports ($110.8 billion) and the largest supplier of U.S. services imports ($97.6 billion), making the UK the United States' largest partner in total services trade ($208.4 billion). Financial and business services were top services traded bilaterally.
- **Investment.** FDI is significant to U.S.-UK trade and supply chains. On a historical-cost, stock basis, in 2025, the UK was the largest destination of U.S. direct investment abroad ($1.1 trillion) and the United States' fourth-largest source of FDI ($738 billion), after Japan, the Netherlands, and Canada. U.S. FDI in the UK is concentrated in nonbank holding companies, finance, and insurance; and UK FDI in the United States is concentrated in manufacturing, especially in chemicals. In 2023 (latest data available), U.S. and UK majority-owned multinational enterprises (MNEs) each supported 1.3 million employees through investments in the other's country.

[4] U.S. trade data in this section are from the U.S. Bureau of Economic Analysis and the U.S. Census Bureau, accessed via Trade Data Monitor (TDM).

[5] Goods exports and import data at the four-digit classification level using the Harmonized Tariff Schedule, from the U.S. Census Bureau, accessed via TDM.

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



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

For the UK, the United States is its largest country-level partner in total trade (exports plus imports), while the EU bloc is the UK's largest overall trading partner.[6] At the country level, in 2025, the United States remained the UK's largest goods export market, and it overtook China to become the UK's largest goods import supplier. In 2025, the U.S. share of UK goods exports and imports was 16% and 12%, respectively; the EU accounted for 41% of UK goods exports and 35% of UK imports.

Selected U.S.-UK Trade Issues

U.S. and UK Tariffs

In 2025, the UK's simple average most-favored-nation (MFN) tariff was 3.7% overall (8.6% for agricultural products, 2.9% for nonagricultural products); the United States' simple average MFN tariff was 3.3% overall (5.0% for agricultural products, 3.1% for nonagricultural products).[7]

President Trump has prioritized tariffs as a key U.S. trade policy tool intended to rebalance U.S. trade relationships and address foreign trade barriers that he asserts contribute to bilateral U.S. goods trade deficits. Since January 2025, the Trump Administration has taken various tariff actions. The President imposed "reciprocal" tariffs on most U.S. trading partners, including the UK (10%), invoking the International Emergency Economic Powers Act (IEEPA). In February 2026, the U.S. Supreme Court issued a decision that IEEPA does not authorize the President to impose tariffs.[8] President Trump lifted the IEEPA tariffs[9] and applied a temporary 10% across-the-board tariff under Section 122 of the Trade Act of 1974, which is to expire by July 24, 2026, absent congressional or other action.[10] The Section 122 tariffs have also been subject to litigation.

[6] This paragraph uses official United Kingdom (UK) government trade data, accessed via TDM.

[7] Trade on a most-favored-nation (MFN) basis applies based on the World Trade Organization (WTO) principle of nondiscrimination. MFN tariffs are the tariff rates WTO members generally commit to imposing on imports from other WTO members, unless they are parties to a preferential trade agreement. See WTO, *World Tariff Profiles 2025*, 2025.

[8] CRS Legal Sidebar LSB11398, *Supreme Court Rules Against Tariffs Imposed Under the International Emergency Economic Powers Act (IEEPA)*, by Christopher T. Zirpoli.

[9] Executive Order 14389 of February 20, 2026, "Ending Certain Tariff Actions," 91 *Federal Register* 9437, February 25, 2026.

[10] Proclamation 11012 of February 20, 2026, "Imposing a Temporary Import Surcharge to Address Fundamental International Payments Problems," 91 *Federal Register* 9339, February 25, 2026. For background, see CRS In Focus (continued...)

The Administration also launched investigations under Section 301 of the Trade Act of 1974, which could lead to further tariffs. The Administration continues to impose sector-specific tariffs under Section 232 of the Trade Expansion Act of 1962. Based on an external U.S. tariff tracker, prior to January 2025 the U.S. trade-weighted average tariff applied on the UK was 0.8%; it was 7.2% as of February 2026.[11]

When President Trump announced tariffs in 2025, UK officials expressed dismay over the U.S tariff actions while expressing optimism over engagement with the Trump Administration on a potential deal and leaving open the possibility of actions in response to the tariffs.[12] The UK government also held a public consultation on potential UK measures in response to the U.S. tariffs.[13] As of July 2026, the UK has not announced retaliatory tariffs or other measures.

U.S.-UK Tariff and Trade Framework Agreement

Amid U.S. tariff actions and other tensions in 2025, the U.S. and UK governments launched negotiations on a trade deal to address targeted tariff and trade issues. The negotiations follow recent past U.S.-UK engagement on trade issues (see **text box**). In May 2025, President Trump and Prime Minister Starmer concluded the 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, and economic security).[14] The deal marked the Trump Administration's first such agreement with a trading partner. Congress did not have a formal role in consultation on or approval of the agreement.

Selected Past Bilateral Trade Engagement

In 2020, the first Trump Administration conducted five rounds of negotiations with the UK on a potential bilateral FTA.[15] Among contentious issues were food safety regulations, e-commerce, financial services, and pharmaceutical pricing. The U.S. and UK governments did not conclude a bilateral FTA at that time. Neither the Biden Administration nor the second Trump Administration have revived FTA talks.

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

Per the EPD general terms, the two governments planned to "immediately" start negotiations "to develop and formalize the proposals made in this document," with the understanding that, after implementation of the initial proposals, "the EPD can further be expanded over time to cover

IF13199, *Section 122 of the Trade Act of 1974*, by Christopher A. Casey, Danielle M. Trachtenberg, and Christopher T. Zirpoli.

[11] United Nations Conference on Trade and Development (UNCTAD), "Tariff Dashboard – Tracking the Evolution of U.S. Tariffs," February 27, 2026.

[12] UK Government, Department for Business and Trade, and the Rt. Hon. Jonathan Reynolds MP, "Statement by the Trade Secretary on U.S. Tariffs," April 3, 2025; and Noah Keate and Antoaneta Roussi, "UK Regrets 'Return to Protectionism' as Trump's Tariffs Spark Trade War," *Politico*, April 4, 2025.

[13] UK Government, Department for Business and Trade, "Request for Input on Potential UK Tariff Measures in Response to U.S. Tariffs," updated May 2, 2025.

[14] White House, "General Terms for the United States of America and the United Kingdom of Great Britain and Northern Ireland Economic Prosperity Deal," May 8, 2025.

[15] In 2018, the first Trump Administration notified Congress under the now-expired Trade Promotion Authority of its intent to negotiate a comprehensive free trade agreement with the UK post-Brexit. For more information, see CRS Report R44817, *U.S.-UK Free Trade Agreement: Prospects and Issues for Congress*, by Shayerah I. Akhtar (archived).

additional areas."[16] The document also stated that both governments recognize that it is not a legally binding agreement. Selected provisions of the EPD general terms and related U.S. and UK actions are described below.

Changes to Tariffs

According to the EPD general terms, after a "reasonable period of negotiation," each side "intends to reduce" tariffs on the other "in sectors of importance." The general terms did not change the 10% IEEPA tariff. In June 2025, President Trump issued Executive Order (E.O.) 14309, announcing EPD-related actions to reduce tariffs on UK automotive and aerospace products imminently, and on steel and aluminum products at a future date.[17] The E.O. provided a quota under which the first 100,000 UK vehicles imported into the United States would face a 10% tariff, with additional vehicles each year facing the 25% tariffs under Section 232. The E.O. also provided for elimination of U.S. tariffs on some UK aerospace products. These E.O. tariff actions were effective as of June 30, 2025.[18]

Under the EPD general terms, the UK government proposed to implement tariff modifications to improve access to the UK market for U.S. beef and ethanol. On beef, the UK proposed to eliminate a 20% tariff on U.S. beef within the existing WTO quota of 1,000 metric tons (MT) (shared between the United States and Canada), and also to create a "preferential duty-free quota" for 13,000 MT of U.S. beef.[19] In exchange, the United States proposed to reallocate 13,000 MT of its existing "Other Countries" tariff-rate quota (TRQ) for beef to the UK.[20] The UK government also proposed to create a duty-free quota for 1.4 billion liters of U.S. ethanol. The UK government announced the entry-into-force of the adjusted beef and ethanol quotas in June 2025.[21] The U.S. government announced changes to its beef quota for the UK, effective January 2026.[22]

Alternative Arrangement to Section 232 Steel and Aluminum Tariffs

As part of the EPD general terms, the U.S. and UK governments proposed to negotiate an alternative arrangement to the Section 232 steel and aluminum tariffs, provided that the UK meets supply chain security requirements. E.O. 14309 provided for a future TRQ to allow a certain amount of U.S. steel and aluminum imports from the UK to enter at MFN rates, subject to conditions; it did not set a date for implementation of the TRQ.

Currently, UK steel and aluminum products entering the United States face a 25% tariff. In June 2025, President Trump proclaimed an increase to 50% of Section 232 steel and aluminum tariffs,

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[16] White House, "General Terms for the United States of America and the United Kingdom of Great Britain and Northern Ireland Economic Prosperity Deal," May 8, 2025.

[17] Executive Order 14309 of June 16, 2025, "Implementing the General Terms of the United States of America-United Kingdom Economic Prosperity Deal," 90 *Federal Register* 26419, June 23, 2025.

[18] International Trade Administration (ITA), U.S. Department of Commerce, "Imports of Automobiles, Automobile Parts, Civil Aircraft and Civil Aircraft Parts from the United Kingdom Under Executive Order 14309," 90 *Federal Register* 27851, June 30, 2025.

[19] UK Government, Department for Business and Trade, "Update on the UK-U.S. Economic Prosperity Deal (EPD) (web accessible version)," updated June 20, 2025.

[20] For background, see Jack Brower, "Reviewing the Tariff-Rate Quotas for U.S. Beef Imports," U.S. Department of Agriculture, Foreign Agricultural Service, December 1, 2022.

[21] UK Government, HM Revenue and Customs, "Introduction of the New United States Preferential Agreement Under the U.S.-UK Economic Prosperity Deal (EPD) – 30 June 2025," June 30, 2025.

[22] Office of the United States Trade Representative (USTR), "Modification of the Allocation of the WTO Tariff-Rate Quota Volumes for Beef," 90 *Federal Register* 61497, December 31, 2025.

while excluding the UK from the increase. Starting in April 2026, UK steel and aluminum products continue to face a tariff rate of 25% if they contain at least 95% UK-origin steel and aluminum.[23]

Preferential Treatment for Pharmaceutical and Other Products

The U.S. and UK governments proposed to negotiate on preferential treatment for pharmaceuticals, a sector that was subject to a Section 232 investigation. They also proposed to seek preferential outcomes on goods that may face future U.S. tariffs.

On April 2, 2026, following the investigation, the President announced in a proclamation that new tariffs on U.S. imports of pharmaceuticals and pharmaceutical ingredients would be phased in starting in July 2026.[24] In the same proclamation, he stated that the United States and the UK would need to implement a "future pharmaceutical-related deal," on which they had reached an agreement in principle as of December 1, 2025. He further stated that the tariff on specific U.S. imports of UK pharmaceutical products will be 10% and then reduced to zero "to the extent required by any future [bilateral] agreement … on pharmaceutical pricing."[25] Also on April 2, 2026, the Trump Administration announced a final U.S.-UK arrangement on pharmaceutical pricing (see **text box**).[26]

On July 9, 2026, President Trump announced that, following findings of a Section 232 investigation of U.S. imports of commercial aircraft, jet engines, and associated parts, he has directed the Secretary of Commerce and the U.S. Trade Representative to jointly pursue or continue negotiations with trading partners to address the "threatened impairment of the national security" with respect to these products.[27] The President did not propose any tariffs at that time. There remain several other Section 232 investigations for which the Trump Administration has not issued any findings.[28]

[23] Tata Steel UK products may contain steel from the Netherlands until January 2028. Certain steel and aluminum derivative products from the UK face a lower tariff rate (e.g., 15%). U.S. Department of Commerce, Bureau of Industry and Security, "Notice of Technical Corrections to the Harmonized Tariff Schedule of the United States for Duties Imposed by Presidential Proclamation 11021," 91 *Federal Register* 23056, April 29, 2026. For more information, see CRS Insight IN12519, *Section 232 Tariffs on Steel and Aluminum*, by Kyla H. Kitamura.

[24] President Trump proclaimed a 100% rate on U.S. pharmaceutical imports unless otherwise excepted, effective July 31, 2026, and a 20% rate on imports of products produced by companies with Secretary of Commerce-approved plans to onshore production (with the rate increasing to 100% after four years), effective September 29, 2026. The President did not proclaim any tariffs for generic pharmaceuticals; rather, the President directed the Secretary of Commerce to "inform the President of any circumstances that, in the Secretary's opinion, might indicate the need to take action" on such imports. Proclamation 11020 of April 2, 2026, "Adjusting Imports of Pharmaceuticals and Pharmaceutical Ingredients into the United States," 91 *Federal Register* 18183, April 9, 2026.

[25] Proclamation 11020 of April 2, 2026, "Adjusting Imports of Pharmaceuticals and Pharmaceutical Ingredients into the United States," 91 *Federal Register* 18183, April 9, 2026.

[26] USTR, "Successful Conclusion of the United States-United Kingdom Arrangement on Pharmaceutical Pricing," April 2, 2026, linking to "Arrangement Between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland on Pharmaceutical Pricing."

[27] White House, "Adjusting Imports of Commercial Aircraft, Jet Engines, and Aircraft and Engine Parts into the United States," proclamation, July 9, 2026.

[28] U.S. Department of Commerce, Bureau of Industry and Security, "Section 232 Investigations," https://www.bis.gov/about-bis/bis-leadership-and-offices/SIES/section-232-investigations.

U.S.-UK Arrangement on Pharmaceutical Pricing

Under a U.S.-UK bilateral pharmaceutical deal announced in April 2026, the UK government committed to, among other things,

- double its spending on new medicines as a proportion of its gross domestic product (GDP) (from 0.3% in 2026 to 0.6% by 2036); and
- increase the net price paid by its National Health Service for prospective new medicines by 25%, starting in April 2026, while maintaining patient access and ensuring that the benefits of the net price increase are "not offset or materially eroded," such as by increased discounts or rebates.

The U.S. government committed to certain outcomes for trade investigations, specifically,

- the then-ongoing Section 232 pharmaceutical investigation will not result in additional tariffs on UK pharmaceutical products during 2026-2029, provided key UK pharmaceutical companies enter into and comply with the terms of agreements negotiated with the U.S. Department of Health and Human Services and U.S. Department of Commerce;
- the U.S. government will not subject UK pharmaceutical products to any additional tariffs under Section 301 investigations, for the December 1, 2025, through January 19, 2029, period; and
- the U.S. government will not subject UK medical technologies to additional tariffs under any Section 232 or Section 301 investigations, for the December 1, 2025, through January 19, 2029, period.

The U.S. and UK governments also committed to work together to support UK companies exporting to the United States to meet U.S. national security requirements for medical partners and pursue greater regulatory cooperation.

The UK government has characterized the pharmaceutical pricing deal as a means for improving patient access to innovative medicines by allowing UK patients to access them more quickly.[29] Pharmaceutical pricing issues were previously controversial in the U.S.-UK FTA negotiations during the first Trump Administration.

Outlook

U.S. and UK engagement on the EPD general terms has occurred against a backdrop of policy uncertainty, such as due to frictions between the United States and Europe over Greenland; President Trump's related pledge—later withdrawn—to raise tariffs on the UK and certain other European countries; and perceptions that the Trump Administration's tariff policies may change at any moment.[30] In April 2026, the UK Parliament's Business and Trade Committee announced a new "stocktake" of the UK's economic relationship with the United States, "amid concerns that continued turbulence is frustrating ambitions for deeper trade."[31] Political restiveness in the UK injects further uncertainty.

UK Digital Services Tax

The UK's digital services tax (DST) has been a point of contention in U.S.-UK bilateral trade relations, including in the negotiations leading to the general terms on the EPD. The UK applies a 2% DST on the revenues of certain companies that provide digital services in the UK. In February 2025, President Trump directed the Office of the United States Trade Representative (USTR) to determine whether to renew an investigation under Section 301 of the UK and some other countries' DSTs, noting U.S. tariffs could be used to respond to DSTs.[32] In a fact sheet on

[29] UK Government, Department for Science, *Innovation and Technology, Arrangement Between the United States and the United Kingdom on Pharmaceutical Pricing*, policy paper, April 2, 2026.

[30] For background, see CRS Insight IN12643, *Greenland, Denmark, and U.S. Relations*, by Sarah E. Garding.

[31] UK Parliament, "Committee Launches Inquiry into UK-U.S. Trade Deal amid Concerns It Is Not Yet Delivering Growth," April 13, 2026.

[32] USTR investigated UK's digital services tax (DST) in the first Trump Administration and determined that it (continued...)

the EPD general terms, USTR stated, "The United States is disappointed that the UK was unwilling to agree to fully address its … [DST]. It is discriminatory, unjustified, and should be removed promptly."[33] A November 2025 UK report indicated that "DST continues to operate as an interim measure to ensure that digital businesses make a contribution that reflects their economic activities in the UK," holding that "reforming the international tax framework is the most sustainable long-term solution" (see **text box**).[34]

Global Tax Framework

In 2021, the United States and 134 other jurisdictions participating in the OECD/G20 (Organisation for Economic Co-operation and Development/Group of 20) Inclusive Framework for Base Erosion and Profit Shifting (BEPS) reached a political agreement ("global tax deal") to address tax challenges stemming from digitalization and concerns about multinational enterprises (MNEs) shifting profits to low-tax countries.[35] The global tax deal, which stemmed from an OECD/G20 project to develop BEPS minimum standards, comprises a two-pillar solution.[36] Under Pillar 1, parties would remove their existing DSTs and agree to changes to the jurisdictions where large MNEs pay taxes. Under Pillar 2, parties would require certain corporate firms to pay a minimum 15% corporate tax rate.

Implementation has been an issue for the global tax deal. For the global tax deal to enter into force, parties may need to take action, including domestic legislative action. To date, Congress has not enacted laws to implement the deal in the United States. The global tax deal has prompted debates in Congress, including regarding U.S. tax sovereignty and its implications for Congress's ability to set and change domestic U.S. tax policy. The current Administration withdrew U.S. support for the deal and subsequently negotiated exemptions for U.S.-headquartered MNEs from certain Pillar 2 rules.[37]

In April 2026, President Trump reportedly stated, in reference to the UK's DST, "If they don't drop the tax, we'll probably put a big tariff on the UK."[38] In a June 2026 social media post, President Trump took aim at European countries that "have been discussing the imminent implementation of a [DST] on American [c]ompanies"; he pledged to impose a 100% tariff on any European country that implements a DST, with the U.S. tariff to "supersede Trade Deals made with the Country, whether implemented, signed, or not."[39] His DST tariff pledge did not call out the UK specifically.

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discriminated against U.S. firms. Under the Biden Administration, following findings of discriminatory treatment, USTR announced tariffs under Section 301 against certain countries for their discriminatory DST practices, and then immediately suspended the tariffs to allow time for international negotiations on the tax framework. For background, see CRS In Focus IF11346, *Section 301 of the Trade Act of 1974*, by Danielle M. Trachtenberg.

33 USTR, "Fact Sheet: U.S.-UK Reach Historic Trade Deal," May 2025.

34 UK Government, HM Treasury, *Digital Services Tax Review Report*, November 26, 2025.

35 CRS Report R47174, *The Pillar 2 Global Minimum Tax: Implications for U.S. Tax Policy*, by Jane G. Gravelle and Mark P. Keightley.

36 Organisation for Economic Co-operation and Development (OECD), "Base Erosion and Profit Shifting (BEPS)," https://www.oecd.org/en/topics/policy-issues/base-erosion-and-profit-shifting-beps.html.

37 Memorandum of January 20, 2025, "The Organization for Economic Co-operation and Development (OECD) Global Tax Deal (Global Tax Deal)," 90 *Federal Register* 8483, January 30, 2025 (stating that, without a relevant act of Congress, the global tax deal has "no force or effect" in the United States); and U.S. Department of the Treasury, "Treasury Secures Agreement to Exempt U.S.-Headquartered Companies from Biden Global Tax Plan," January 5, 2026.

38 Mark Sweney, "Trump Says He Will 'Probably Put a Big Tariff on the UK' if It Doesn't Drop Digital Services Tax," *Guardian*, April 24, 2026.

39 President Donald J. Trump (@realDonaldTrump), "Numerous European Countries have been discussing the imminent implementation of a Digital Services Tax on American Companies," Truth Social post, June 26, 2026, https://truthsocial.com/@realDonaldTrump/posts/116821499250670683.

Section 301 Investigations Related to Imports Made with Forced Labor

In March 2026, President Trump announced investigations under Section 301 relating to the prohibition of imports made with forced labor by various trading partners, including the UK.[40] On June 3, USTR announced its findings under the Section 301 investigations and proposed applying additional tariffs on U.S. imports from trading partners that it found to have failed to impose and/or effectively enforce a prohibition on imports made with forced labor.

USTR found that the UK has a "patchwork of laws" that "does not impose a forced labor import prohibition" but "appear[s] to have the effect of partially excluding forced labor imports."[41] USTR also pointed to the UK's "interest in high-standard commitments related to addressing forced labor in supply chains" under the EPD general terms.[42] For the UK and trading partners that have a "partial regime" against the importation of goods made with forced labor, USTR has proposed an additional tariff of 10%.[43]

Regulatory, Technology, and Supply Chain Issues

The U.S.-UK trade and investment relationship features other frictions and areas of cooperation. For example, persistent bilateral trade issues include UK restrictions on genetically modified food products, which USTR has raised as a concern in its annual reports identifying foreign trade barriers to U.S. exports.[44] USTR also has noted concerns raised by U.S. exporters that the UK may continue to retain EU regulatory approaches to agricultural chemicals and pesticides, which they perceive as restrictive.

Among other developments, in September 2025, the U.S. and UK governments concluded a Technology Prosperity Deal under which they committed to cooperate on advanced technologies, including artificial intelligence (AI), civil nuclear technologies, and quantum computing.[45] According to press reports, in December 2025, the U.S. government halted implementation of the deal, expressing frustration with the pace of overall U.S.-UK trade talks, particularly regarding

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40 USTR, "Initiation of Section 301 Investigations of Acts, Policies, and Practices of Various Economies Related to the Failure to Impose and Effectively Enforce a Prohibition on the Importation of Goods Produced with Forced Labor," 91 *Federal Register* 12884, March 17, 2026; CRS In Focus IF11346, *Section 301 of the Trade Act of 1974*, by Danielle M. Trachtenberg; and CRS Insight IN12672, *Section 301 Investigation—Forced Labor and Import Policies of U.S. Trading Partners*, by Christopher A. Casey, Cathleen D. Cimino-Isaacs, and Danielle M. Trachtenberg.

41 USTR, *Report in Section 301 Investigations of the Acts, Policies, and Practices of Various Economies Related to the Failure to Impose and Effectively Enforce a Prohibition on the Importation of Goods Produced with Forced Labor*, June 2, 2026, pp. 77-78.

42 USTR, *Report in Section 301 Investigations of the Acts, Policies, and Practices of Various Economies Related to the Failure to Impose and Effectively Enforce a Prohibition on the Importation of Goods Produced with Forced Labor*, June 2, 2026, p. 78.

43 USTR, "USTR Makes Findings and Proposes Action in 60 Section 301 Investigations Relating to Failures to Take Action on Trade in Forced Labor Goods," June 2, 2026.

44 USTR, *2026 National Trade Estimate Report*, March 2026, p. 497.

45 White House, "Memorandum of Understanding Between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland Regarding the Technology Prosperity Deal," September 18, 2025.

the UK's positions on nontariff barriers, including food regulations.[46] In February 2026, the two sides reportedly resumed collaboration on civil nuclear technology issues under the deal.[47]

Additionally, the United States and the UK continue to cooperate on other issues, including signing a memorandum of understanding (MOU) in February 2026 to support critical minerals supply chains through the use of economic policy tools and coordinated investment.[48]

Other Issues Facing the 119th Congress

Given the magnitude and economic and strategic significance of U.S.-UK trade and investment ties, the 119th Congress has an interest in monitoring U.S.-UK trade and economic relations, deliberating on U.S. trade policy toward the UK more broadly, and assessing how that policy may affect bilateral relations more generally.

Congress is debating the delegation of tariff authorities to the executive branch, which could affect U.S.-UK trade. Some Members have introduced legislation that would limit the President's authority to impose tariffs (e.g., H.R. 407, H.R. 1903, S. 1272/H.R. 2665). Other Members have introduced legislation that would expand the President's authority to impose tariffs or that would mandate certain tariff actions by the President (e.g., H.R. 505, H.R. 735).

Members may also debate the EPD's scope and durability and whether Congress should have a formal role in consultation or approval of any final EPD. Congress could also consider whether to codify the EPD. Amid ongoing debate about Congress's role in executive agreements, some Members have introduced legislation that would provide specific authority to the President to negotiate a comprehensive FTA with the UK (e.g., H.R. 1743, S. 776).

Author Information

Shayerah I. Akhtar
Specialist in International Trade and Finance

[46] See, for example, Aime Williams and George Parker, "U.S. Suspends Technology Deal with the UK," *Financial Times*, December 15, 2025.

[47] Anna Gross et al., "U.S.-UK Tech Talks Restart with Focus on Nuclear Projects," *Financial Times*, February 25, 2026.

[48] U.S. Department of State, "2026 Critical Minerals Ministerial," February 4, 2026; and UK Government, Department for Business and Trade, Foreign, Commonwealth and Development Office, and Seema Malhotra MP, "UK and US Sign Memorandum of Understanding on Critical Minerals," February 5, 2026.

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