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Updated July 24, 2026

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

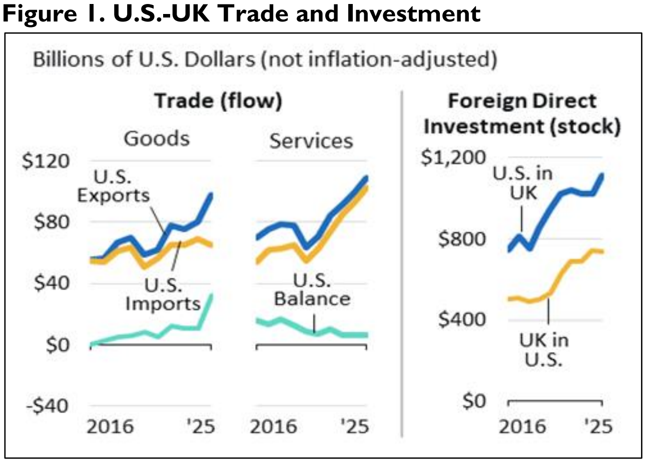
The United States and the United Kingdom (UK) are close trade and investment partners. In May 2025, President Trump and then-UK Prime Minister Keir Starmer announced the General Terms of the U.S.-UK Economic Prosperity Deal (EPD) to address certain trade issues, including tariff actions taken by the Trump Administration since January 2025. The 119th Congress may consider whether to modify tariff authorities delegated to the President; seek to shape implementation of the EPD general terms; and deliberate on U.S. trade policy toward the UK and how it could affect bilateral relations more generally.

Background

In January 2021, the UK completed its withdrawal from the European Union (EU), known as Brexit, leaving the EU single market and customs union and regaining greater control of its trade policy, including to negotiate its own trade deals with other countries. 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. The UK has also been working to develop trade deals with new partners, including the United States.

Over the past decade, U.S.-UK trade and foreign direct investment (FDI) have grown generally (**Figure 1**). In 2025, the UK was the United States' tenth-largest partner for total goods trade (exports plus imports); largest partner for total services trade; and top partner for two-way FDI (outbound plus inbound FDI, historical-cost basis).

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



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

Top U.S. goods exports to the UK included gold; civilian aircraft, engines, and parts; silver; petroleum oil (crude); and certain medications. Top U.S. goods imports from the UK included motor vehicles; turbojets/turbines; certain medications; and blood and related products. Financial and business services were top services traded bilaterally. U.S. FDI in the UK was concentrated in nonbank holding companies, finance, and insurance; manufacturing was the leading destination of UK FDI in the United States.

Selected Bilateral Trade Issues

Tariffs

Since January 2025, the Trump Administration has imposed tariffs that affect the UK, including a UK-specific 10% tariff that it applied invoking the International Emergency Economic Powers Act (IEEPA). In February 2026, the Supreme Court held that IEEPA does not authorize the President to impose tariffs. President Trump lifted the IEEPA tariffs and applied a temporary 10% across-the-board tariff under Section 122 of the Trade Act of 1974 that expired on July 24, 2026.

On July 23, 2026, the President announced Section 301 tariffs relating to the enforcement by various trading partners, including the UK, of import bans of goods made with forced labor. The UK faces a 10% tariff based on the assessment that the UK has "imposed a partial regime" to prevent import of products made with forced labor. Certain products of the UK are excluded from the tariffs to encourage the UK to effectively enforce a prohibition. Previously, in June 2026, the U.S. Trade Representative (USTR) announced findings in Section 301 investigations on this matter, finding that the UK has a "patchwork of laws" that does not impose such a prohibition, but "appear[s] to have the effect of partially excluding forced labor imports." 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.

The Administration has also imposed expanded tariffs on U.S. imports of steel and aluminum, and new tariffs on U.S. imports of automotives, under Section 232 of the Trade Expansion Act of 1962, as amended. The UK faces other potential Section 232 tariffs.

According to an external tariff tracker, the trade-weighted average U.S. tariff rate on the UK was 0.8% pre-January 2025, and 7.2% as of February 2026. UK officials previously called the U.S. tariffs "regrettable." The UK has not announced any retaliatory measures, though it held a public consultation on potential measures.

U.S.-UK Tariff and Trade Deal

The post-Brexit period has seen U.S.-UK efforts to expand trade ties, including negotiations on a bilateral FTA during the first Trump Administration that was not concluded.

In May 2025, President Trump and then-Prime Minister Starmer concluded the EPD general terms to reduce and eliminate certain tariffs and cooperate on issues such as agriculture, digital trade, and economic security. Congress did not have a formal role in the general terms' approval. The United States and the UK planned to formalize the proposals, with the understanding that the EPD could be expanded later. Proposals include the following:

- **U.S. Tariff on UK.** No change was made to the additional 10% U.S. tariff on UK products (previously applied invoking IEEPA, then Section 122, and subsequently Section 301).

- **Automotives and Aircraft.** After a "reasonable period of negotiation," each party aimed to reduce tariffs on the other "in sectors of importance." Executive Order (EO) 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 25% tariffs under Section 232. The EO also eliminated U.S. tariffs on some UK aerospace products. These EO actions were effective June 2025.
- **Beef and Ethanol.** The UK proposed to eliminate a 20% tariff on U.S. beef for 1,000 metric tons (MT) of its existing WTO quota and to create a "preferential duty-free quota" for 13,000 MT of U.S. beef. The United States proposed to reallocate 13,000 MT of its existing "Other Countries" beef quota to the UK to receive the most-favored-nation (MFN) duty rate—the rate under the World Trade Organization (WTO) nondiscrimination principle. The UK also proposed to create a duty-free quota for 1.4 billion liters of U.S. ethanol. The UK and U.S. governments acted on these proposals in June 2025 and January 2026, respectively.
- **Steel and Aluminum.** The parties proposed to negotiate an alternative arrangement to Section 232 steel and aluminum tariffs, provided the UK meets supply chain security requirements. EO 14309 provided for a future tariff-rate quota (TRQ) (no date set) to allow a certain amount of U.S. steel and aluminum imports from the UK to enter at MFN rates, subject to conditions. In 2022, the Biden Administration and the UK negotiated a TRQ arrangement in place of the steel and aluminum tariffs; in his second term, President Trump terminated such alternative arrangements, including with the UK. In June 2025, the President increased the Section 232 steel and aluminum tariffs to 50%, while excluding the UK from the increase, which continued to face a 25% tariff. Starting in April 2026, in order to qualify for a lower tariff rate, UK steel and aluminum products must contain at least 95% UK-origin steel and aluminum. A special exception exists for Netherlands-supplied materials for Tata Steel UK.
- **Pharmaceuticals.** The U.S. and UK governments proposed to negotiate on preferential treatment for pharmaceuticals and seek preferential outcomes on goods facing potential future U.S. tariffs. On April 2, 2026, the Administration announced a U.S.-UK pharmaceutical pricing arrangement, under which the UK committed to expand spending on new medicines and the United States committed not to apply additional pharmaceutical tariffs on the UK under Section 232 or Section 301. That same day, the President announced new Section 232 pharmaceutical tariffs of up to 100% to be phased in starting in July 2026, while maintaining the tariff rate for UK pharmaceutical products at 10%. Some UK pharmaceutical companies with pricing deals with the Administration are to be exempt from the tariffs.

In July 2026, a UK Parliament committee published its biannual "stocktake" of the UK-U.S. economic relationship, conducted "amid concerns that continued turbulence is frustrating ambitions for deeper trade." It called for, among other things, the UK to seek a lower baseline tariff and seek cooperation on shared interests (e.g., economic security). To what extent new prime minister Andy Burnham maintains or modifies UK trade policy remains to be seen.

UK Digital Services Tax (DST)

In February 2025, President Trump directed USTR to determine whether to renew an investigation under Section 301 of the UK's and some other countries' DSTs. In June 2026, the President pledged to impose a 100% tariff on any European country that implements a DST; the pledge did not specifically call out the UK. The UK has continued to maintain its DST, while stating a preference for reforming the international tax framework as a "long-term solution." In his second term, President Trump withdrew U.S. support for a 2021 global tax framework, which has since stalled in implementation among participants. In January 2026, the Administration negotiated an exception to one of its pillars.

Regulatory, Technology, and Supply Chain Issues

USTR has raised ongoing concerns about UK regulatory approaches, including restrictions on genetically modified food products. USTR has also raised concerns that the UK may continue to retain certain EU regulatory approaches, such as for agricultural chemicals and pesticides, that U.S. businesses perceive as restrictive. Some U.S. and UK industry groups seek to enhance U.S.-UK market access and regulatory alignment. Some in UK civil society voice concern that such action could weaken UK food safety.

In September 2025, the U.S. and UK governments concluded a Technology Prosperity Deal to cooperate on advanced technologies, including artificial intelligence (AI), civil nuclear technologies, and quantum computing. Per press reports, in December 2025 the U.S. government halted implementation of the deal expressing some apparent frustration with the pace of broader U.S.-UK trade talks, which reportedly were complicated by differences such as in positions on food regulations. The parties reportedly resumed some tech collaboration in February 2026. The U.S. and UK governments are also cooperating on other issues, including critical minerals supply chains.

Other 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. Others favor expanding this authority or mandating certain tariff actions by the President.

Members could also assess the EPD's scope and durability, as well as deliberate on whether Congress should have a formal role in consultation or approval of a final EPD—or such trade deals more broadly. Congress could also debate codifying the EPD, considering any trade-offs between greater congressional control and future U.S.-UK negotiating flexibility.

Amid ongoing debate about Congress's role in executive agreements, some Members have introduced bills to authorize the President to negotiate a comprehensive FTA specifically with the UK (e.g., H.R. 1743/S. 776).

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