THE TRUMP ADMINISTRATION ANNOUNCES TRADE AGREEMENT WITH THE UNITED KINGDOM

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US Policy and Regulatory Alert

By: Nathaniel B. Bolin, David R. Allman, Guillermo S. Christensen, Karla M. Cure, Jasper G. Noble

On 8 May 2025, US President Donald Trump and UK Prime Minister Kier Starmer announced an agreement on General Terms of the Economic Prosperity Deal (EPD) between the United States and the United Kingdom. Although not a binding agreement, the EPD establishes a framework to enhance economic cooperation and promote reciprocal trade between the two countries, including expansion of US market access to the United Kingdom and elimination of non-tariff barriers on US products. In return, UK imports into the US would avoid higher reciprocal tariffs but would still be subject to a baseline tariff of 10%. The EPD is the first trade framework announced by President Trump since his April 2 "Liberation Day" proclamation imposing significant reciprocal tariffs globally, and the President has indicated that more agreements will follow. (For more background on the reciprocal tariffs announcement, see our 2 April 2025 client alert.)

The EPD has three core objectives:

1. To encourage and enhance mutually beneficial trade between the United States and the United Kingdom and create quality, high-paying jobs;
2. Removal of trade and investment barriers; and
3. Strengthen the "Special Relationship" between the two countries.

The following is a summary of key provisions of the EPD.

TARIFF POLICY

Following a "reasonable period of negotiation," the US and UK intend to reduce applied tariffs on a range of originating goods in "sectors of importance" to both countries. Product-specific tariff commitments are as follows.

The United Kingdom will commit to removing its current 20% tariff on US beef exports, create a duty-free quota of 13,000 metric tons (MT) for US beef exports, and offer a preferential duty-free tariff rate quote (TRQ) of 1.4 billion liters for US ethanol export. Additionally, the United Kingdom will purchase US$10 billion worth of US aircraft.

The United States will reduce the current dutiable rate on UK automotive imports from 27.5% to 10% for a quota of 100,000 vehicle annually (which includes nearly the entire number of UK autos imports in 2024), with accompanying arrangements for parts for such automobiles. The United States will also construct a most favored nation (MFN) rate for UK steel and aluminum and certain derivative products, contingent on UK compliance with US supply chain security requirements. Both countries will also negotiate mutual preferential treatment on pharmaceuticals and pharmaceuticals pending the outcome of an ongoing Section 232 investigation in the United States.

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The 10% reciprocal tariff announced on 9 April 2025 remains in effect.

NON-TARIFF ELEMENTS

Under the EPD, the United States and United Kingdom will undertake a series of mutual actions and negotiations to improve bilateral market access and strengthen bilateral trade. These efforts include:

- Increased cooperation in agricultural markets through compliance with mutually agreed standards and improved export verifications;
- Commitment to negotiate digital trade provisions to include financial services in its scope;
- Streamlining of customs processes for the movement of goods between the United States and the United Kingdom;
- Strengthening cooperation on economic security, including coordination on addressing non-market policies of third countries, investment security measures, export controls, and information & communications technology (ICT) vendor security; and
- Reaffirming respective free trade agreements and agreeing to combat evasion schemes and shipment of goods from countries whose practices undermine economic security.

As the first framework agreement to be concluded following President Trump's reciprocal tariffs pronouncement, the EPD signals how the United States will approach rebalancing of trade with its major economic partners. The EPD indicates a commitment to deepening US-UK economic ties although its provisions remain to be further negotiated, and even if implemented the US would retain the 10% baseline tariff on UK goods.

As negotiations continue between the White House and world leaders, the trade and policy professionals at the firm remain actively involved in this area and are excited to help you navigate the fast-moving trade environment.

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KEY CONTACTS



NATHANIEL B. BOLIN
PARTNER

WASHINGTON, DC
+1.202.778.9181
NATE.BOLIN@KLGATES.COM



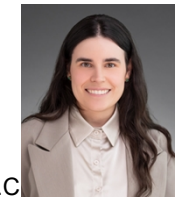
DAVID R. ALLMAN
PARTNER

WASHINGTON, DC
+1.202.778.4396
DAVE.ALLMAN@KLGATES.COM



GUILLERMO S. CHRISTENSEN
PARTNER

WASHINGTON, DC
+1.202.778.9095
GUILLERMO.CHRISTENSEN@KLGATES.COM



KARLA M. CURE
PARTNER

WASHINGTON, DC
+1.202.778.9214
KARLA.CURE@KLGATES.COM



JASPER G. NOBLE
ASSOCIATE

WASHINGTON, DC
+1.202.778.9221
JASPER.NOBLE@KLGATES.COM

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