



Two Cheers for the Tariff Pause

May 23, 2025

The conversation between the stock market and President Trump seems to have reached a satisfactory conclusion—for the stock market. After an alarming selloff, the President quickly announced that he would negotiate with, first, the UK and then with China, meanwhile abandoning the punitive tariffs that he had insisted would remain in place.

Neither deal is finalized; we are moving into a 90-day tariff 'pause' during which both sides will enter into negotiations. It is possible that the Chinese negotiations will not result in an agreement, and the markets will begin a new conversation. But for now, the significant slump has reversed itself, and the markets are high fiving themselves with four days of rising values.

For all the tough trade talk, the early outlines of the initial trade deal with the U.K. are curiously lopsided. The U.S. agreed to lower its 27.5% tariff down to 10% on autos manufactured in the U.K. and shipped to the U.S.—for a quota of 100,000 imports. Since the U.K. has not yet shipped that many autos across the Atlantic in any given year, that should be considered a win for their side. The U.S. will allow Rolls-Royce engines, which are used in U.S.-manufactured aircraft, to enter the country duty-free. Washington has also eliminated its 25% tariff on U.K. steel and aluminum exports. And the U.K. held firm on maintaining its 2% digital services tax on the revenues of U.S. tech companies operating in the United Kingdom.

The agreement also gives the U.K. preferential treatment on pharmaceutical exports into the U.S., though that could be temporary.

Each side has agreed to allow the other to export 13,000 metric tons of beef; however, the U.K. will continue to ban imports of U.S. beef from cattle raised with artificial growth-promoting hormones; only hormone-free beef will be allowed into the English marketplace.

Finally, London has agreed to eliminate its 19% tariff on up to 1.4 billion liters of U.S. ethanol, which is America's top agricultural export to the U.K. (Above that, the U.K. will impose tariffs of between 10% and 50%.

We will learn the details of the tariff arrangement with China in the next 90 days, but a precedent may have been set with the trans-Atlantic agreement. It seems clear that, with the markets jawboning the Administration, and the threat that they will strike up a new conversation if a deal isn't reached, the President felt the need to start backtracking, and quickly.

That isn't always the best formula for winning a negotiating position.

Sources:

<https://www.cnbc.com/2025/05/14/stock-market-today-live-updates.html>

<https://www.brookings.edu/articles/what-does-the-us-uk-deal-mean-for-trumps-trade-agenda/>

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