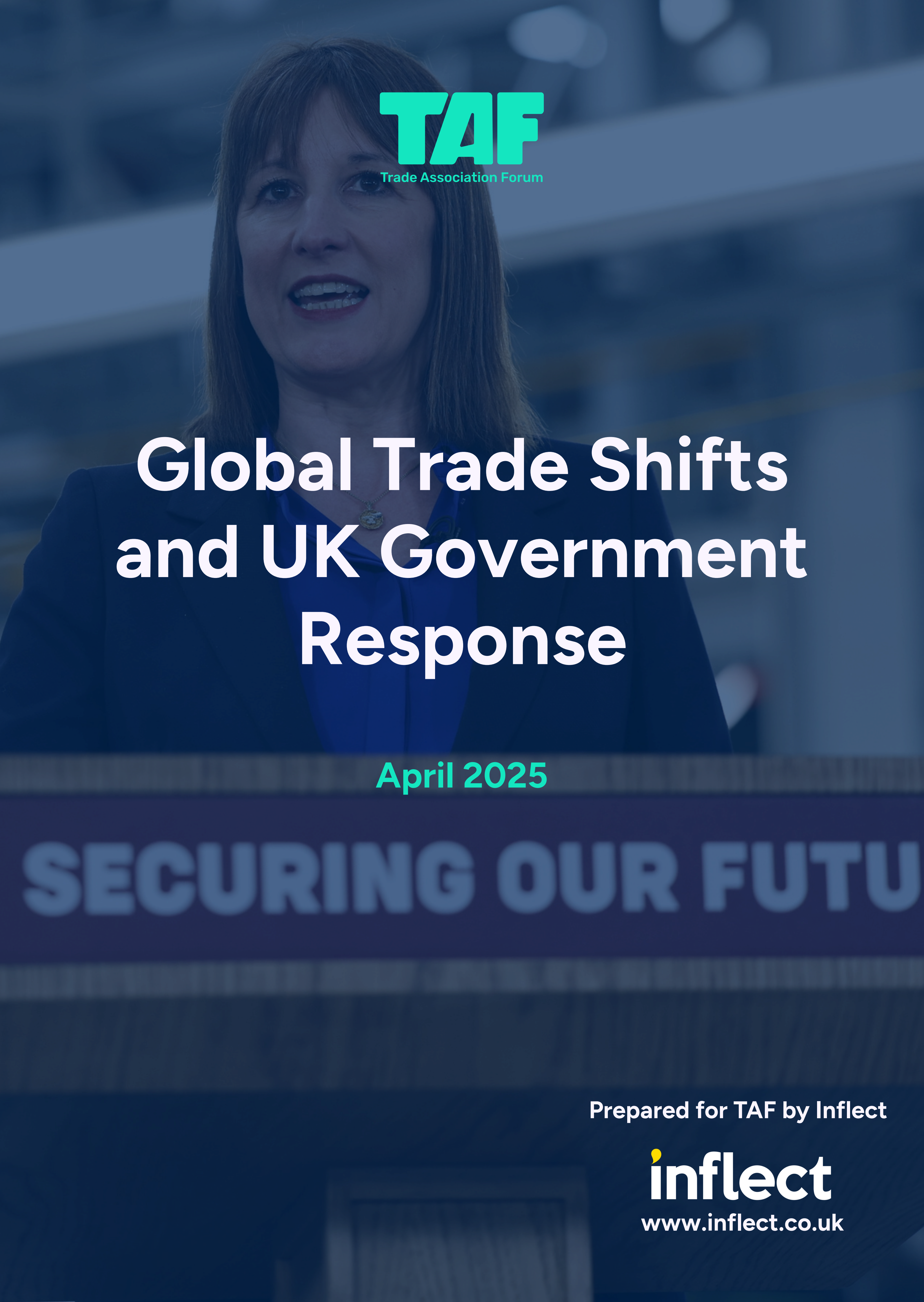

TAF
Trade Association Forum

Global Trade Shifts and UK Government Response

April 2025

Prepared for TAF by Inflect

inflect
www.inflect.co.uk

Introduction

Following a tumultuous few months of global politics, we wanted to set out what has changed for businesses operating in the UK, and in particular how the politics playing out on the global stage are changing thinking, policy and priorities in the UK Government.

Whilst this is a good moment to take stock. we are not operating in a settled environment and everything could change.

We hope that this provides Associations with useful cross sector analysis that can be shared with members. It is organised in the following way:

What has changed?

The events of the past month mark more than just a spike in global trade tension; they signal a structural shift in how the UK engages with the world, and how the world sees the UK.

For firms across infrastructure, housing, transport and energy, global shifts are reshaping investment conditions, redefining the state's role, and challenging the sustainability of long-term delivery models.

With geopolitical alliances splintering and industrial policy hardening, the UK's strategic posture feels both more exposed and more consequential. This section explores how economic headwinds and political pressures could reshape the UK's fiscal stance, investment climate, and approach to industrial strategy.

A Shifting Global Landscape

The UK is navigating a fragmented global economy as US–China tensions escalate and tariffs rise. While politically distanced from both superpowers, Britain is pursuing a balancing act—maintaining US ties, re-engaging with China, and staying close to Europe. This brings risks of isolation but also a chance to present the UK as a stable, open economy amid growing global volatility.

A Pivot Toward the EU?

In response, there are signs of a tentative shift back toward European alignment. The UK's recent openness to EU court oversight on food checks may signal broader regulatory convergence, particularly in areas like standards, digital, and R&D. For investors, this could make the UK a more stable and predictable partner, and for infrastructure sectors, it may reopen access to cross-border partnerships and capital pools that have been constrained post-Brexit.

Investment and Interest Rates

The global impact of tariffs is likely to weigh on UK growth, dampening business investment and delaying expected interest rate cuts. For the Chancellor, this tightening outlook may erode much of the fiscal headroom retained after the Spring Statement. With higher borrowing costs and sluggish growth projections, the Spending Review on 11th June and Autumn Budget will provide further tests for the Chancellor as she looks at how to effectively manage the public finances and deliver an environment which supports business and consumer confidence.

Implications for Infrastructure, Housing, and Transport

Macroeconomic pressures will flow directly into core markets. Slower growth and rising borrowing costs may delay or derail investment decisions. However, the Government's growing focus on industrial resilience and an active-state approach signals continued commitment to infrastructure investment. Sectors aligned with Labour's economic missions—particularly those enabling growth, such as clean energy, defence, and advanced tech—are expected to benefit from targeted public support.

The housing sector also remains a strategic priority. Private signals suggest the Prime Minister sees housebuilding as central to unlocking economic growth and will double down on delivery, reinforcing the Government's commitment to its pledge on housing supply.

The Role of Public-Private Partnerships

With a more interventionist state facing tight fiscal constraints, public-private partnerships (PPPs) are set to play an increasingly vital role. The Government will prioritise delivery certainty, value for money, and alignment with national priorities.

Stability, stability, stability

Amid global uncertainty and mounting fiscal demands, the UK Government has come under pressure to relax its spending rules—particularly to expand investment in defence and infrastructure. Yet in the lead-up to the Spending Review, the Chancellor has doubled down on her central message: that stability, not short-term stimulus, will underpin the Government's approach. While volatility dominates in markets abroad—especially in the US—the UK is presenting itself as a predictable, rules-based economy, offering long-term certainty for business investment.

" I said that our fiscal rules were non-negotiable.
And I meant it.
I will always deliver economic stability.
And I will always put working people first."

Global Trade, Domestic Resilience, and the UK Response

US Tariffs and UK Industry Exposure:

- The US has announced new tariffs on key Chinese exports, including electric vehicles, semiconductors, and critical minerals.
- UK firms are insulated from the worst of the tariffs, receiving the minimum 10% rate, though the broader escalating trade war between the US and China will create ripple effects across global supply chains and raise the risk of retaliatory measures.
- The stock market saw the biggest crash since Covid, with the UK seeing the FTSE 100 dipping by almost 5%
- China's retaliatory tariffs of 84% were raised to 125% in just 2 days as the US was faced with global retaliations, including from the EU.

UK Government Reaction

- The Department for Business and Trade launched a consultation seeking views from UK businesses on how US tariffs may impact their operations.
- This is part of a broader diplomatic and strategic review of UK-US trade dynamics ahead of the US election.
- The UK and US are currently in talks of an economic deal and hopes are that the 10% can be negotiated, and that Brits are spared before the 90-day buffer is over
- Sights are set elsewhere in the world for trading partners.

Implications for Business

Infrastructure and green technology projects face mounting cost pressures and delivery risks, especially when dependent on overseas supply chains. The clean energy sector is acutely exposed, with critical components often sourced from China—a trade route now under strain due to growing political friction and protectionist measures tied to the US–China economic confrontation.

Against this backdrop, there is a growing strategic rationale for strengthening domestic supply chains and supporting UK-based manufacturing. With industrial resilience now central to economic planning, and the Government signalling the decline of globalisation, support is likely to rise for reshoring key sectors of national importance. For UK firms, this opens the door to new opportunities: not only to de-risk current projects, but to play a leading role in building the UK's capacity in areas such as battery production, EV components, and grid technology.

With the US pivoting toward aggressive protectionism, the UK's non-retaliatory approach and commitment to stability may also attract investment from firms seeking a reliable European base outside the trade crossfire.

The End of Globalisation?

In response to the tariffs, the Prime Minister delivered a speech on the economy at the Jaguar-Land Rover factory in Solihull, signalling a pivot from decades of liberal trade and fiscal orthodoxy:

- A clear shift toward industrial renewal, with manufacturing seen as central to national identity and economic strategy.
- Strong emphasis on speeding up delivery through planning reform and regulatory overhaul.
- Backing for the EV transition, but with new flexibility for hybrids and ICE vehicles — balancing climate goals with industrial stability.
- New funding and tax incentives for automotive and life sciences sectors, alongside major investment in health data infrastructure.
- Focus on domestic capability and resilience, particularly in supply chains, energy, and defence.
- Trade policy framed through national interest and economic security rather than ideology — pragmatic, not protectionist.
- Underlying message: a government prepared to intervene, invest, and remove friction to accelerate strategic projects.

TAF Trade Association Forum inflect

Starmer's declaration that 'globalisation is over' marks a defining moment in the shift underpinning the government's emerging industrial strategy. Two decades ago, Tony Blair dismissed the idea of challenging globalisation as futile, likening it to trying to "debate whether autumn should follow summer." Starmer is not only willing to debate it, but to rewire government policy around its decline.

Starmer is not turning away from global trade altogether, but instead signalling a move beyond the laissez-faire liberalism that once defined both Conservative and New Labour orthodoxy. This approach echoes Rachel Reeves' 2023 'securonomics' speech in Washington, where she proclaimed 'globalisation, as we once knew it, is dead' and called for a renewed focus on where things are made and who owns them. What began as shadow policy is now becoming state doctrine. Industrial policy is back, and with it, a more muscular state role in shaping markets, managing resilience, and protecting national capability.

Policy is already following this logic, evident through the establishment of GB Energy, signalling a return to public ownership in key sectors. The Employment Rights Bill marks a shift away from the flexible labour market model championed by New Labour, with more worker protections. And with the Steel Nationalisation Bill passing unopposed, there is clear cross-party consensus that certain industries are now too important to be left to market forces alone. For sectors like infrastructure, transport, energy, and housing, this implies a future shaped as much by industrial policy as by market demand.

There are still tensions. The Government remains constrained by the Chancellor's fiscal rules and is hesitant to abandon Treasury orthodoxy entirely, despite moves in that direction visible through policies such as the review of the Treasury Green Book. Growth still remains sluggish, despite better than expected numbers announced in April, and the tools for state-led renewal are limited without private capital. But the direction of travel is unmistakable: Britain is entering a new era where economic policy is being reshaped not by ideology, but by hard realism about security, sovereignty, and the limits of globalisation.

UK Government Measures to Support Business and Households

Though the full industrial strategy is due in June, the Government is already laying foundations through a series of early announcements. Ministers have suggested that parts of the strategy may be released ahead of schedule to signal momentum and intent.

Tariff Cuts on Essentials
Over 100 imported products — including clothing, kitchenware, and toiletries — have seen tariffs removed. In a bid to save businesses £17 million a year, tariffs have been slashed to 0% for the next 2 years.

UK Export Finance Boost
The Chancellor announced the UK Export Finance would be getting an extra £20 billion in order to support small businesses with loans of up to £2 million as part of the Plan for Change. This comes with the recognition that 'the world is changing'.

£80 billion of financing
The government has made a series of announcements this week regarding businesses and financial backing. £600 million was allocated to a new Health and Data Research Service, while Doncaster Sheffield Airport was given £30 million in the hopes that it will create 5000 jobs and give a £5 billion boost to the economy

EV & hybrid mandate delay
Starmer set out to provide certainty and stability to car manufacturers in the UK. By extending the year by which new petrol and diesel vehicles will be phased out, 'more cars can be sold in later years', but some manufacturers like Aston Martin are exempt in an attempt to preserve some British gems for longer. 2035 is set to mark the end of non-electric vehicles as it stands.

Cuts in clinical trials reforms
Updated regulations aim to put patients in the centre of how trials run. The reforms will cut duplication and delay time, as well as create a flexible and regulatory environment which does not inhibit innovation. The aim is for the UK to become a destination for international trials with a streamlined and agile framework. PM has set a goal to reduce the time between the first application and first patient by 100 days.

UK India Economic and Financial Dialogue underway
With the US proving volatile, the UK has set its sights on India as the 13th EFD resulted in increased cooperation between the two nations. £125 million was announced in export deals and investments, including Coventry University being the first to gain a licence to open a campus in India, British International Investment investing $10 million to the agritech startup Grow Indigo and Indian tech business Mphasis to set up a centre in London and are exploring a Nottingham office.

The British Steel Saga

This recent episode captures many of the wider shifts in national security, trade, and globalisation. The Government's response tells us much about where its priorities lie in the new world.

The Crisis

British Steel's Scunthorpe site, the UK's last remaining producer of virgin steel, sits at the heart of critical national infrastructure, supplying high-spec material for defence, nuclear projects, and rail manufacturing. In March, the plant's Chinese owner, Jingye, announced losses of £700,000 per day and began consulting on job cuts, blaming structural losses and growing environmental pressures. Business Secretary Jonathan Reynolds responded with a proposed £500 million rescue package to support the site's transition to green steel, but talks quickly broke down, with Jingye reportedly seeking over £1 billion and cancelling raw material orders, raising fears that the blast furnaces could be permanently shut down.

Government Intervention

Faced with the collapse of a strategic national asset and the loss of 2,700 jobs, the Prime Minister recalled Parliament to pass emergency legislation, enabling the Government to assume control of the Scunthorpe plant. Citing industrial sovereignty and the irreversible damage that would occur if the furnaces cooled, ministers acted swiftly and with cross-party consensus. The legislation passed through both Houses unopposed in an emergency Saturday session of parliament, underlining the political weight behind preserving domestic steel capability.

The immediate priority then shifted to securing deliveries of raw materials to keep operations running. Within days, the Government confirmed that shipments of coking coal and iron pellets were arriving at Immingham docks, with a third en route from Africa. Deputy Prime Minister Angela Rayner and senior ministers visited the site to demonstrate confidence in the plant's future, while interim leadership was drawn from within the British Steel workforce to stabilise operations. Though the Government stopped short of full nationalisation, it made clear that "no option is off the table" and is now actively seeking new private investors to secure long-term viability.

Political Response

While Parliament was unified in passing the legislation, party lines quickly re-emerged in the political debate. The Conservatives broadly supported keeping the plant open but criticised Labour's handling of the crisis, accusing ministers of acting too late and undermining previous negotiations. Former business ministers including Andrew Griffith and Kemi Badenoch claimed the Government had squandered earlier progress, with Badenoch stating Labour had "botched" a deal she had been brokering before the election. Interestingly, several Conservative MPs broke ranks to support full nationalisation, highlighting growing discomfort with foreign ownership of strategic infrastructure.

Reform UK, sensing political opportunity in industrial towns, adopted full nationalisation as formal policy. The Scunthorpe plant lies within Lincolnshire, where Reform UK is polling strongly and fielding one of its highest-profile candidates, Andrea Jenkyns. With the new Greater Lincolnshire Combined Authority set to elect its first mayor in May, the steelworks has become a flashpoint for industrial identity and electoral competition.

Union leaders offered cautious optimism. TUC General Secretary Paul Nowak welcomed the intervention but urged the Government to commit to a long-term industrial strategy and accelerate investment in green steel, describing the legislation as only “the first step” toward a sustainable future for UK steelmaking.

Diplomatic Fallout

The move has sparked a sharp diplomatic backlash from Beijing. China’s embassy in London issued a blistering response, accusing UK politicians of “arrogance, ignorance and a twisted mindset,” and defending Jingye’s planned shift to electric arc furnaces as a reasonable reaction to the UK’s Net Zero strategy, not a political act. Beijing warned that politicising commercial decisions could damage China–UK trade ties and deter future investment. The embassy also criticised British politicians for remaining silent on US protectionism while singling out China, claiming such behaviour undermines confidence in the UK as an investment destination.

The timing is delicate. Keir Starmer recently became the first UK Prime Minister in six years to meet Chinese President Xi Jinping, and Business Secretary Jonathan Reynolds is due to visit Beijing later this year for trade talks. As calls grow in Westminster to restrict Chinese involvement in critical national infrastructure, particularly in nuclear, steel, and defence, there is a risk that escalating tensions could derail diplomatic progress and make future inward investment more difficult. For a UK government pursuing industrial resilience and reindustrialisation, managing this relationship will be as much about foreign policy as it is about industrial strategy.

Get in touch

secretariat@taforum.org

Trade Association Forum