

TaPP Insight Note
Trump's tariffs at one year
Global trade restructuring and UK strategic positioning

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Summary

One year into President Trump's second term, his tariff policies, including the April 2025 'Liberation Day' tariffs, have reshaped global trade flows in ways that demand serious analytical attention. The recent Greenland episode, in which Trump declared a national emergency to pursue territorial acquisition and threatened tariffs on Denmark and the EU, illustrates how trade policy has become inseparable from geopolitical leverage. Trade flows are being rewired, and the impacts are visible across the globe. Yet amid constant reversals—20 instances in the past year of tariffs threatened and then withdrawn—the challenge for policymakers and businesses is distinguishing temporary disruption from permanent restructuring, and calibrating strategy accordingly.

The TaPP network workshop on 23 January 2026, moderated by **Jun Du**, Professor of Economics at Aston University and TaPP Co- Director, brought together three speakers: **John Alistair Clarke**, former Director of International Affairs at the European Commission and Head of the EU Delegation to the WTO and UN; **George Riddell** of Goyder Ltd; and **Emily Lydgate**, Co-Director of the UK Trade Policy Observatory and Professor at Sussex Law School. Together, they examined the empirical patterns emerging from the data, the business and institutional responses to sustained volatility, and what this means for UK trade strategy.

Too early to tell – John Alistair Clarke

It is too soon to know the extent to which Trump's policies are rewiring trade flows and supply chains in the medium to long term, and it remains unclear whether these policies will prove permanent or temporary. There have been constant reversals: twenty instances over the past year in which Trump has threatened tariffs only to later withdraw the threat. Owing to this instability, many companies have opted to wait and see rather than react immediately, making it too early to reach definitive conclusions about how trade is readjusting.

There was, however, a large amount of front-loading of exports to the United States in the first half of 2025 in anticipation of tariffs. There is also evidence of trade flow rewiring among producers and exporters of commodities and simple products that can be reshored or relocated with relative ease: clothing, footwear, foods such as soya and maize, simple electronics, and white goods. These can move country, partly to work around rules of origin. Multinational companies with production plants in

multiple countries are similarly able to shift location—reducing output in China and increasing it in Mexico for car parts, for instance.

For companies producing more complex products, however, adapting supply chains is significantly more complicated and costly. Chemicals, machinery, and aerospace are cases in point: an Airbus comprises 17,000 parts sourced from around fifty different countries. Large-scale rewiring of this kind is not yet feasible in the face of such uncertainty. Companies at the more sophisticated end of the market are, by and large, diversifying their sources of supply rather than relocating manufacturing—and notably, the US tariff policy has not resulted in significant reshoring back to the United States. Almost the reverse.

Navigating a decade of disruption – George Riddell

Trade, particularly from the British perspective, has experienced a prolonged period of disruption. Brexit, Covid-19, the conflict between Russia and Ukraine, and now the US tariffs mean that British businesses have had to navigate significant turmoil for the best part of a decade. Surveys conducted by the British Chambers of Commerce show that many members are no longer trading, likely as a result of these cumulative geopolitical shifts.

How businesses have responded to US tariffs depends heavily on their institutional capacity. The critical question is whether they have high-level geostrategic advisors at the C-suite level and, crucially, whether geostrategic intelligence can be translated into decisions that matter on a commercial basis. While more executives are having sophisticated conversations around geo-economics and economic security, quite often these discussions fail to pull through into actual business decisions. The most powerful conversations are happening where businesses have moved beyond analysis into scenario planning: developing baseline assessments of what operations would look like under anything from the complete collapse of the transatlantic alliance to trade relations improving in six months' time.

In practice, shifting supply chains takes three to five years at best. The process involves sourcing a new location, understanding the tax environment, assessing the labour force and pre-existing logistics networks, and building production facilities—all of which requires significant time and capital. In the shorter term, businesses are investing heavily in expanding customs procurement capacity, improving transparency over their supply chains, and building the data infrastructure needed to understand their exposure and risk. This, in turn, facilitates more accurate scenario planning and better commercial decision-making.

It is important to note that trade is often a second or third order consideration in business decisions about where to operate. Companies first look at the domestic regulatory environment, tax rates, workforce availability, interest rates, and—above all—energy costs. Energy costs are one of the most important factors for businesses at present, particularly in manufacturing, and play into decisions around steel safeguards, carbon border mechanisms, and industrial competitiveness more broadly.

Services and digital trade constitute a huge component of UK businesses' international activity, and so far neither has been directly targeted by US tariffs. However, frictions are appearing. Following the Greenland episode, American services companies have felt a significant backlash in Europe, as reflected in survey data published at the World Economic Forum. Immigration requirements for sending professionals to the US have also reduced the willingness of British people to travel there to provide services. While this is not yet destroying services trade, friction is starting to appear even without major regulatory changes.

Distinct legal architectures, divergent responses – Emily Lydgate

The five-day provocation on Greenland has highlighted the legal and institutional differences between the UK and the EU, and provoked questions about their future relationship. In summary: the EU has more legal and institutional constraints, a greater ability to weaponise interdependence because of its market power, and a greater likelihood of retaliating. The UK has more freedom of action but is more alliance-dependent and strongly trade-war averse. As a result, much is likely to stay the same as it was pre-Greenland, but there is a reasonable chance of a slight reorientation towards deepening EU-UK ties.

The implementation of the respective reciprocal tariff deals with the US illustrates the difference. The EU has to have a vote in parliament—which at the time of the workshop had not yet happened. By contrast, the UK implemented parts of its deal through statutory instruments. For the EU, response and retaliation requires navigating numerous internal divisions; the UK too has divisions, but the executive is relatively unconstrained.

The EU is, however, better prepared in terms of instruments to respond to these types of tariffs. It has an enforcement regulation and an anti-coercion instrument, and the use of both was discussed immediately when the Greenland tariffs were announced. These tools create legal and procedural pathways to maintain approximate compliance with the rules-based approach to international law. If the UK wanted to retaliate against the US—whether through tariffs or non-tariff measures such as restricting US investment—more legal questions arise about how to do so. But this has not yet had to be confronted: even if Trump had gone ahead with the Greenland tariffs, Keir Starmer signalled he would not retaliate.

As a smaller economy, it could be argued that it would make more sense for the UK to approach the US collectively and in coordination with the EU, but there currently appears to be little appetite for that. In the longer term, the volatility and instability could catalyse quiet reorientations of supply chains and investment strategies that change trade flows—but quantifying how and when remains very difficult.

Discussion

The discussion involved multiple participants, speaking in a personal capacity rather than representing any official view of my organisation. Five key questions arose:

1. Has the Greenland episode changed anything for the EU, the UK, and the WTO?

Clarke argued that the World Economic Forum at Davos was a fundamental game-changer. The firm and united EU response to the threat against Greenland—notably a NATO ally and EU member state—was evaluated as one factor in Trump backing down. **Lydgate**, however, noted that domestic factors in Trump's decision-making were arguably more significant: he did not have support from his base in Washington, and the stock market plummeted as he flew to Davos.

Clarke observed that in July 2025, both the EU and the UK had conceded to the US with the signing of unbalanced and non-reciprocal tariff deals that were closer to unilateral impositions than genuine negotiations. These were widely noted to be illegal under international and WTO law—breaking the two fundamental rules of the GATT, most-favoured nation treatment and binding of tariffs. The EU, in his view, has been reflecting hard on this concession, and its response at Davos demonstrated a new resolve.

Riddell was more sceptical about the depth of EU unity on trade. While the response on sovereignty around Greenland was unanimous, member states were not unified on trade policy, and there remained a long way between launching an anti-coercion investigation and actually imposing painful countermeasures on European companies. He noted that the percentage of the US economy dependent on trade is much lower than that of other countries including the UK, and that AI and technology stocks—driving much of US stock market growth—would not be particularly affected by tariffs. Nonetheless, **Clarke** countered, the US would not find it advantageous to end up in a trade war with the EU, given its dependency on EU intermediate goods.

On the WTO, **Clarke** was blunt: there is not much expected from the upcoming ministerial hosted in Cameroon in March. The US is pulling out of the international rules-based order, India shows disdain for multilateral cooperation, China pursues predatory industrial practices, and the EU lacks courage in putting agriculture on the negotiating table. The EU and the UK broke international law by agreeing to the imposition of unilateral US tariffs, and can no longer credibly claim to stand for multilateralism. He suggested the WTO is hobbled for at least a decade.

Frank Faraday, Senior Policy Advisory at the British Standards Institution (BSI) offered an important counterpoint on US engagement. While the administration has withdrawn from some UN agencies, the US shows no sign of disengaging from formal international standardising bodies—ISO, IEC, or ITU. This suggests a difference in positioning between US industry and the current administration, and a reminder that the rhetoric of the incumbent US president does not reach into every corner of US economic and industrial life.

2. What can businesses do in practice, and what should policymakers prioritise?

Clarke highlighted an unprecedented move: reportedly the European Roundtable of Industrialists—a group of CEOs from the EU's thirty biggest companies, including the heads of BMW and Siemens—was not adverse to the EU imposing retaliatory tariffs on

the US. He regarded this as a game-changer: for the first time, the European business community signalled that they are behind the EU's position to retaliate if necessary, even at some economic cost. **Lydgate** agreed that this was significant, noting it demonstrated that Trump's strategy of dividing the EU politically and economically had failed in this instance.

Clarke observed that most EU companies are currently agonising over whether to decrease or increase their footprint in the United States, or to hold off until they have more clarity. So far, most are waiting, and the tariffs have not resulted in large amounts of reshoring to the US—partly due to the high costs of relocating manufacturing compared with diversifying supply chains. **Riddell** noted that British Chambers of Commerce polling conducted after Trump's latest announcement shows that SME exporter confidence is on a long-term downward trend, with the predominant response being to wait and see rather than act in haste. A small minority, however, reported restructuring away from the US.

Looking ahead, UK policy with regard to the US administration and the Economic Partnership Deal (EPD) needs to be calculated for the long term, particularly from a standards perspective. Amid all the volatility and aggressive posturing, the UK government must keep clear in mind what the UK's strategic assets are and avoid making seemingly small, piecemeal concessions to the US which might appear insignificant but could harm the country's competitiveness further down the line.

3. What does Canada's pivot mean, and what are the implications for middle-power alliances?

Riddell praised Mark Carney's speech at Davos, advocating for a middle-powers alliance, as one of the best speeches in many years. However, he pressed the question: what does this mean in concrete terms? What is Canada actually going to implement? Starmer's absence from Davos was widely noted. As **Du** observed, this may reflect the UK's current lack of a firm position—with no clear strategy yet formed, Starmer would have had little to present.

Mona Paulsen from London School of Economics offered a detailed intervention on Canada's significant pivot in trade relations with China. An agreement in principle has been reached to expand Chinese exports to Canada by 50 per cent by 2030, with tariffs reduced from 100 per cent to approximately 6.4 per cent. This marks a substantial shift from earlier Canadian positions and will have significant implications for rules of origin discussions, particularly for the highly integrated automotive sector in the Windsor-Detroit corridor. She raised important questions about how this will interact with US demands under the USMCA review, and whether Canada will need to create separate supply chains to manage security concerns—particularly around connected vehicles and automated technology. If the US administration is comfortable with Chinese investment flowing through the supply chain, that is a very different proposition from one in which Canada must segregate supply chains on security grounds. An additional complication arises from pre-existing commitments made under USMCA which were intended to limit economic cooperation with China (Article 32 requires all USMCA partners to provide notice of any potential agreement with a non-market economy and to allow the other partners to review the agreement;

moreover, the other USMCA partners have the right to terminate the USMCA with the partner that enters into such an agreement). As such, this is something to watch closely.

4. How should the UK approach its trade relationship with China?

Riddell noted that the British government has been concentrating on building better services and market access and on aligning technical standards to encourage bilateral trade. This work is ongoing, and a visit by Starmer to China may offer a moment to crystallise and advance it. However, he cautioned that the security relationship between China and the UK is fraught. Trade is difficult in sectors where China has been imposing drastic ad hoc export controls, making UK importer business options precarious. For those sectors, diversification is advisable; for others, discrete areas of cooperation remain possible. A grand trade bargain, however, is not credible at this point.

Du, drawing on research conducted with the British Chambers of Commerce and sponsored by the FCDO on supply chain resilience in China, observed that the conventional framing of UK-China trade as a bilateral, point-to-point relationship misses the complexity of how businesses actually operate. China represents one of the most—if not the most—competent supply chain networks in the world. Many companies use China as a production base to translate efficiency into competitiveness for trading with third markets, setting up operations in India, for example, while relying on Chinese supply chains. The impact of US tariffs on China has been to reinforce the reorganisation of Chinese supply chains through Vietnam and other countries, rather than to eliminate China's role.

Lydgate drew attention to the US policy of constraining other countries' interactions with China—visible in the EPD clauses which, if interpreted expansively, could seek to constrain the UK's ability to receive Chinese investment or to pursue independent trade policies on China. Paradoxically, the less the UK-US alliance functions smoothly, the more the UK is encouraged towards a more open approach to China.

5. Is services trade the next frontier of disruption?

Services remain, as **Clarke** put it, "the dog that didn't bark"—the major part of the global economy that politicians tend not to understand and which stays off the radar. **Greg Messenger**, TaPP Co-Director, raised the question of whether services could become the next frontier of disruption. **Clarke** noted that the US trade deficit with the EU was in goods only; when goods and services are taken together, the two economies were in approximate balance, raising questions about the rationale for punitive tariffs. He suggested that TaPP should organise a subsequent panel on services trade, examining the data on where deficits lie and what potential exists for services to be drawn into trade disputes.

Riddell identified three distinct areas of concern. First, while not tariffs per se, the US policy around digital services taxes is indicative of its broader approach: aggressive pressure on countries that impose such taxes. Second, China is moving in interesting directions—MOFCOM published a new services trade strategy in November calling

for significant liberalisation, feeding into pilot programmes in Shanghai and other special economic zones around negative listing for services market access and easements around data flows. Third, China, holding the APEC presidency this year, has for the first time accepted digital trade and services trade on the agenda.

Riddell also flagged with concern the cancellation of the UK's Trade Centre of Excellence, leaving the UK with no clear position on aid for trade. This vacuum, combined with reduced US credibility on aid for trade, is allowing China and others to enter a space traditionally dominated by developed Western economies. **Du** reinforced this point, noting that digital trade in the East is advancing rapidly—in terms of both technology adoption and business adaptation—and that UK companies and government were notably sparse at CES 2026, where global AI companies gathered in Las Vegas. If the UK does not step into this space, it risks being left far behind.

Conclusions

The workshop revealed a world in which the speed of change outpaces the capacity to evaluate it. As the chair noted, a piece drafted for publication can become obsolete within days. The familiar analytical tools—distinguishing signal from noise, policy from rhetoric, bluff from intent—are breaking down in an environment where the distinction itself has collapsed.

Three broad conclusions emerge. First, some businesses have pivoted faster than researchers and policymakers have understood. In sectors with simple products and flexible supply chains, rewiring is already happening. In complex sectors, inertia remains a stabilising force: international supply chains, the infrastructure of standardisation, and the sheer investment embedded in existing arrangements all create powerful resistance to rapid disruption. The tariffs have not produced the reshoring to the US that was intended; diversification of sourcing, rather than relocation of manufacturing, is the dominant business response.

Second, the Greenland episode, while unlikely to fundamentally alter EU-UK-US trade relations in itself, has forced a recalibration. The EU's united response—backed for the first time by the continent's biggest businesses—marks a new phase in European willingness to confront US pressure. The UK, by contrast, remains in a more cautious posture, lacking both a firm public stance and the institutional toolkit the EU possesses. Whether the Greenland moment catalyses a deeper UK-EU alignment or merely reinforces the UK's strategic ambiguity remains to be seen.

Third, significant gaps in the UK's strategic positioning are becoming apparent. The absence of a clear government stance at Davos, the cancellation of the Trade Centre of Excellence, the sparse UK presence at CES 2026—these are symptomatic of a country still formulating its post-Brexit global strategy amid conditions that demand decisiveness. The workshop underscored the urgency of thinking beyond traditional bilateral trade frameworks to engage with the broader shifts in services, digital trade, energy costs, and supply chain architecture that are reshaping the global economy.

The rules-based order that has underpinned global trade for seventy years is under severe strain, and the evidence presented at this workshop suggests it is unlikely to

return in its previous form. The second-best alternative—coalitions of countries diversifying their economic and political relationships, working on bilateral agreements, and building sector-specific alliances in energy, defence, procurement, and digital—demands the kind of clear-eyed, evidence-informed strategy that this discussion sought to advance. For the UK, the strategic imperative is to identify its assets, resist the temptation of piecemeal concessions, and invest in the institutional capabilities needed to navigate a world in which volatility is not the noise, but the signal.