# Rachel Reeves outlines UK trade and fiscal approach at IMF amid global economic challenges



At her second International Monetary Fund (IMF) gathering in Washington, Chancellor Rachel Reeves presented a UK stance that seeks to reaffirm the country's commitment to free, open, and fair trade amid ongoing global economic uncertainties and trade tensions. The Daily Mail reports that Reeves’ approach notably eschews direct retaliation against American tariffs, contrasting with measures taken by the European Union, Canada, and China.

The backdrop to the Chancellor’s strategy includes the legacy of the US under former President Donald Trump’s tariff policies, which had considerable detrimental effects, particularly on Silicon Valley’s technology sector. While innovation remains rooted among major tech firms, manufacturing has shifted abroad, leaving gaps in certain industrial capabilities.

Reeves’ trade agenda emphasises protective measures such as strengthening barriers against the dumping of goods at UK ports—a response to concerns about cheap steel imports, chiefly from Asia, potentially undercutting domestic industry. The UK government is keen to protect its remaining steel industry, which Labour has earmarked for revival alongside enhanced defence manufacturing. This marks a shift from previous trends where blast furnaces were switched off prior to new installations, a practice now regarded as unsustainable.

One specific trade barrier currently under consideration involves restricting the duty-free status of parcels valued under £135 entering the UK. This measure, while potentially complex to implement, aims to deter the rerouting of shipments originally destined for the United States, particularly from China and other Asian markets.

Trade disputes and tariffs remain a critical global economic issue, according to the IMF, significantly raising the risk of recession worldwide to as much as 40 per cent. The IMF’s recently released Fiscal Monitor report contains a stark warning about rising global debt levels: borrowing is projected to increase by 2.3 per cent of total output in 2025, twice the rate seen last year. Overall debt burdens are expected to reach 117 per cent of gross domestic product, their highest level since the Second World War.

Reeves faces notable fiscal challenges at home. The UK’s borrowing figures for the 2024-2025 fiscal year exceeded forecasts by £15 billion, reaching £152 billion shortly after the Spring Statement. Critics have highlighted that the fiscal buffers Reeves established last October are already depleted, having been propped up temporarily by cuts to welfare and disability benefits.

The IMF's cautionary stance on the necessity for larger fiscal buffers appears directed at the UK, as household deficits are projected to decline but not sufficiently to reduce the national debt, which is anticipated to rise to 105 per cent of national wealth next year. This trajectory threatens to keep servicing costs high, especially amid market uncertainties and elevated bond rates influenced by both international tariff disputes and domestic fiscal policy concerns.

The Chancellor’s claims of having repaired the UK’s economic foundations are viewed with scepticism, given slower-than-expected growth and the impact of controversial tax decisions that have eroded fiscal headroom. Looking ahead, the UK will also need to accommodate increased defence spending and ambitious carbon reduction goals, factors that complicate budget planning. The forthcoming public spending review in June is expected to be constrained in its capacity to address these pressures significantly.

At the IMF gathering, Reeves is slated to engage with key figures, including US Treasury Secretary Scott Bessent. The outcomes of these meetings could influence the UK’s position on global trade and financial stability. However, the continuous strain of adhering to stringent fiscal rules amidst a challenging international environment remains a critical concern that could shape Reeves' tenure as Chancellor.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

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