# Joseph Stiglitz warns UK-US trade deal echoes Trump’s divisive tactics



Nobel Prize-winning economist Joseph Stiglitz has raised significant alarm bells regarding the recent trade agreement between the UK and the US, indicating it closely mirrors the divisive economic tactics employed by Donald Trump. In a discussion with Sky News, Stiglitz remarked, "I would view it as playing into Trump's strategy. His strategy is divide and conquer, go after the weakest countries, and sort of put the stronger countries in the back." This raises critical concerns that the deal could disproportionately disadvantage nations with limited negotiating power, aligning with a broader pattern of exploitation within international trade.

On 8 May 2025, President Trump and Prime Minister Sir Keir Starmer celebrated what they hailed as a "breakthrough" trade deal, a move that many view as a capitulation to the former president's transactional approach. The agreement, which maintains a burdensome 10% universal tariff on UK goods while significantly cutting tariffs on American imports, has sparked considerable skepticism among economic analysts. The UK's reduction of import duties from 5.1% to 1.8% ostensibly opens the floodgates for US products, but such concessions come with serious concerns about long-term economic sovereignty. Critics are already highlighting that while American tariffs on UK automobile exports are reduced from 27.5% to 10% for a quota of up to 100,000 vehicles, the elimination of tariffs on UK steel and aluminium imports does little to provide real, lasting relief or protection for British industries.

While Starmer's government touts the deal as a feather in their diplomatic cap, it simply does not address long-term trade challenges. The persistent 10% general tariff on a wide array of UK goods raises serious doubts about the durability and comprehensiveness of this agreement. Key issues, like digital services taxes and unfettered access to the UK's National Health Service, are still unresolved and highlight the lack of substantive benefits in this so-called victory. This failure to protect vital British interests serves as a clarion call for the need to rethink trade strategy altogether—a perspective that resonates with the growing discontent in the current political landscape.

Amidst the complexities of Brexit and an economically fractured nation, Starmer's government attempts to present the agreement as a triumph. The negotiations, involving key players like Varun Chandra and Lord Peter Mandelson, were fraught with logistical hitches, raising serious questions about its clarity and implementation. Even with Starmer’s other diplomatic efforts, such as a recent engagement with India, the unveiling of this deal leaves much to be desired and shows a worrying lack of vision.

Moreover, while immediate sectoral relief might be touted, the broader implications of this agreement remain shrouded in uncertainty. It does little to alleviate fears about future tariff escalations and underlines the precarious nature of bilateral trade relationships under a Trump administration seeking to further entrench its economic dominance. Market reactions have been tepid at best, reflecting widespread apprehension over the sustainability of these arrangements as the US continues to wield tariffs as tools for its own economic gain.

Trump's tactics, which seem laser-focused on leveraging tariffs to boost American manufacturing, invite criticism from economic scholars who highlight their inflationary risks. While some advisers may advocate for hiking tariffs to increase revenue, infusing more uncertainty into the already strained trading relationships is hardly a path forward. Economists caution against blind adherence to such strategies, as their negative fallout could spiral into broader economic crises.

As the UK navigates an increasingly fragmented global trade landscape, pressing questions loom about the efficacy and sustainability of its economic strategies. While this recent agreement may provide fleeting relief, it ultimately falls short of resolving the deeper issues plaguing international trade. The effectiveness of Starmer’s charm offensive remains highly questionable, particularly as it fails to secure the robust British economic interests in a world increasingly at odds with itself.

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

## Bibliography

* <https://www.independent.co.uk/tv/news/trump-deal-tariff-economist-divide-and-conquer-b2748755.html> - Please view link - unable to able to access data
* <https://www.reuters.com/world/us/view-trump-heralds-breakthrough-deal-with-uk-2025-05-08/> - On May 8, 2025, U.S. President Donald Trump and UK Prime Minister Keir Starmer announced a 'breakthrough' trade deal aimed at strengthening bilateral economic ties. The agreement maintains a 10% universal U.S. tariff on UK goods but sees the UK lowering its import duties from 5.1% to 1.8%, providing increased market access for U.S. products. Key sectors benefit immediately, notably UK automobile exports, as U.S. tariffs are reduced from 27.5% to 10%, and steel and aluminum levies are cut to zero. While financial markets reacted modestly, analysts expressed cautious optimism, noting that the deal offers immediate sectoral relief but falls short of being comprehensive and maintains relatively high overall tariffs. Industry representatives and economists highlighted that the deal does not resolve long-term trade challenges and is not a replicable model for other nations. Key concerns remain over future tariffs, particularly in sensitive sectors like pharmaceuticals, and whether this pact signifies a broader move toward strategic trade partnerships or merely a symbolic political gesture.
* <https://apnews.com/article/f65fb13f17cfc14d0b5b8d267953d5c4> - On May 8, 2025, the Trump administration announced a new trade agreement with the United Kingdom, emphasizing symbolic progress but offering limited economic impact. The deal grants American agricultural products, including beef and ethanol, greater access to the U.K. market, while reducing U.S. tariffs on British cars and steel. U.K. steel will now enter the U.S. duty-free, and the 27.5% tariff on U.K. cars will drop to 10% for up to 100,000 vehicles. Additionally, both countries agreed to export 13,000 metric tons of beef to each other, and the U.K. will remove tariffs on 1.4 billion liters of U.S. ethanol. The U.K. will lower its average tariff on U.S. goods to 1.8%, affecting around 2,500 products. Aerospace cooperation includes the removal of U.S. duties on Rolls Royce components and a $10 billion Boeing aircraft order from a U.K. airline. However, the agreement leaves out key issues like digital services tax reforms and access to the U.K.’s national health service. Economists view the deal as more politically symbolic than economically transformational, with further negotiations ongoing in sectors like pharmaceuticals and digital trade.
* <https://www.ft.com/content/1acf796a-4cfd-4c10-88c9-31901c353df5> - After months of negotiations, UK Prime Minister Sir Keir Starmer secured a last-minute trade deal with US President Donald Trump aimed at mitigating the fallout from Trump’s global trade war. The accord was finalized in a surprise phone call on Wednesday evening while Starmer was watching a football match, with last-minute haggling over agricultural concessions. Though not the sweeping free trade agreement envisioned post-Brexit, the deal offers significant benefits, including scrapping US tariffs on UK steel and aluminium and introducing limited protection for UK carmakers and the pharmaceutical sector. Varun Chandra and Lord Peter Mandelson played key roles in the UK’s negotiating team. The UK was notably the first country to strike a trade deal with Trump since he imposed sweeping tariffs a month prior. Despite the disorderly rollout, with logistical missteps on announcement day, the deal helped Starmer appear diplomatically effective amid domestic political struggles. Starmer also finalized a trade agreement with India earlier in the week, and a new partnership with the EU is expected soon. While the deal may not fully restore pre-Trump conditions, Starmer emphasized progress over perfection, claiming it improved relations from the previous day.
* <https://apnews.com/article/79d55b8ade0dd8c9265ada9400d079db> - President Donald Trump announced a trade deal with the United Kingdom that reduces tariffs on British autos, steel, and aluminum while maintaining a 10% baseline tariff on other British goods. Under the agreement, tariffs on UK autos drop from 27.5% to 10% for a quota of 100,000 vehicles, and tariffs on British steel and aluminum imports fall to zero. In return, the UK agreed to purchase more U.S. beef and ethanol, streamline customs for American goods, and reduce tariffs on 2,500 U.S. products, including olive oil and wine. U.S. Commerce Secretary Howard Lutnick also revealed a $10 billion aircraft purchase from Boeing by a British company. UK Prime Minister Keir Starmer hailed the agreement as historic and beneficial for British jobs, particularly in the auto sector. He emphasized ongoing efforts to reduce global trade barriers. The deal represents progress in U.S.-UK trade talks that began post-Brexit but stalled under President Biden. Trump continues to threaten higher tariffs on other countries, particularly China, and has suggested he may impose tariffs as high as 100% on certain goods. Despite economic concerns such as inflation and trade-related uncertainty, Trump asserted confidence in the U.S. economy’s resilience and growth.
* <https://www.axios.com/2025/05/08/trump-trade-deals> - The UK has successfully secured a trade deal with President Trump by employing a strategic charm offensive and maintaining a firm but diplomatic stance during negotiations. Prime Minister Keir Starmer utilized the UK's historic 'special relationship' with the United States to initiate talks, further supported by a letter from King Charles inviting Trump for a second state visit. Rather than reacting aggressively to Trump's tariffs, UK officials approached the discussions with respectful assertiveness, clearly outlining non-negotiable areas. This method earned them relief for domestic industries, making Britain the first country to de-escalate trade tensions under Trump's tariff policies. At a recent event, Starmer publicly praised Trump for his leadership and the negotiation process. While the baseline tariff on UK imports remains at 10%, British officials are optimistic that continued negotiations will reduce the effective rate. This trade deal is also seen as a stepping stone to broader collaborations, particularly in artificial intelligence and technology sectors.
* <https://www.reuters.com/world/us/amid-trumps-muddled-trade-agenda-one-thing-is-clear-tariffs-will-be-higher-2025-05-09/> - President Donald Trump's second-term trade strategy emphasizes the use of high tariffs to promote domestic manufacturing, create jobs, and gain leverage in international negotiations. Despite internal disagreements among his advisers, most expect tariffs to remain elevated even after new trade deals are reached. Economic adviser Stephen Miran argues for an 'optimal tariff' above the current 2-3%, suggesting a rate near 20% could maximize revenue and stimulate growth. However, dissenting voices, including economists like Nouriel Roubini and Lawrence Summers, warn of potential inflation and recession risks if tariffs climb too high. Recent moves, such as a limited trade deal with the UK, exemplify this high-tariff approach. Markets have reacted with volatility, and critics suggest Trump's protectionist policy may lead to lasting economic harm. Within Trump's circle, figures like Peter Navarro support aggressive tariff use to correct trade imbalances, while others like Arthur Laffer and Stephen Moore question their theoretical foundation and long-term efficacy. The administration leverages expanded executive powers and political control to implement its agenda, with ongoing internal debate about the economic validity and practical impact of the strategy shaping policy outcomes.