

International Agreements Committee

Corrected oral evidence: General terms for the UK-US Economic Prosperity Deal

Tuesday 1 July 2025

4 pm

[Watch the meeting](#)

Members present: Lord Goldsmith (The Chair); Lord Anderson of Swansea; Lord Boateng; Lord German; Lord Hannay of Chiswick; Lord Howell of Guildford; Baroness Lawlor; Lord Marland; Lord Stevenson of Balmacara.

Evidence Session No. 7

Heard in Public

Questions 1 -18

Witnesses

I: Alessandro Marongiu, Senior Trade Policy Manager, Society of Motor Manufacturers and Traders (SMMT); Gareth Stace, Director General, UK Steel; Tom Bradshaw, President, National Farmers Union.

USE OF THE TRANSCRIPT

1. This is an uncorrected transcript of evidence taken in public and webcast on [Parliamentlive.tv - International Agreements Committee](#)

Examination of witnesses

Alessandro Marongiu, Gareth Stace and Tom Bradshaw.

Q1 **The Chair:** Welcome to this session of the International Agreements Committee. We are taking evidence this afternoon on the Economic Prosperity Deal—the United States and United Kingdom deal—which was recently announced. We are very pleased to have with us Alessandro Marongiu, who is the senior trade policy manager from the Society of Motor Manufacturers and Traders, SMMT; Gareth Stace, director general of UK Steel; and Tom Bradshaw, the president of the National Farmers' Union. We are very pleased to see all three of you gentlemen.

I will ask some general questions to start with and other members of the committee will then focus on the individual sectors and products that you are concerned with, but please say what you would like to say. This is an

important session for us to get your views on this important arrangement. People will have made relevant declarations of interest if they want to do so, so I am not sure any need to be made during the course of this meeting.

I will start off the general questioning, which is to ask you in broad terms—and it is, in a sense, your basic pitch—what are your general assessments of the benefits and drawbacks of the EPD, the Economic Prosperity Deal, between the US and UK, as set out in the general terms that the Government have published. I will ask that general question and then I will come on to some specifics. I do not know who would like to start with that general assessment. You are all looking at each other.

Tom Bradshaw: I am very happy to start. Initially we need to recognise the economic pressures there were on the UK economy at the time. With the so-called Liberation Day on 2 April, the UK economy was facing into some very real challenges. As a headline, we feel that agriculture has been singled out to carry a lot of the burden in removing tariffs or reducing tariffs significantly for automobiles and steel, and two sectors in particular.

There is a question about the viability of the domestic bioethanol industry on the back of removing the tariffs for 1.4 billion litres of imported bioethanol from the US. The domestic demand is just under 1.4 billion litres and so there is a question mark about the viability of that sector. That has implications for our members that supply directly into the bioethanol sector, the wheat crops in the north-east, but across the country it will have an impact. They can use up to 2 million tonnes of feedstock per annum and they also have nearly 1 million tonnes of animal feed coming out the other side.

There is also a very critical concern about what this means for the availability of carbon dioxide domestically. Carbon dioxide is of strategic importance to the country. It is important for abattoirs, food packaging, the NHS and nuclear. Strategically we cannot afford not to have a resilient supply of CO₂. Those plants are very important, directly for our members as an outlet for the wheat that is produced for the animal feed and for the carbon dioxide.

On the beef front, we were very clear with Government that we needed reciprocal access. If the US were to be given any access, we must have reciprocal access. We have got that reciprocal access but unlike their quota, which started yesterday, we do not get access to the US market until at the earliest 1 January 2026 because their tariff rate quota is already full. That does not feel like a fully reciprocal deal and it is something that we would question. There will be zero tariffs on the US beef; we will still have between 4% and 10% tariffs on our exports to the US, so again it is not completely reciprocal.

The key for us on beef is the traceability of the US product and to make sure that it is genuinely hormone free, because where the Government have absolutely stuck to their commitments—and it is something that we

very much welcome—is that they have not reneged on any of the animal health and welfare standards that are so important for UK agriculture.

The Chair: Thank you very much indeed. We will ask a bit more about some of these other questions, but are there any other general comments from our witnesses, please?

Gareth Stace: Steel is much more straightforward and transparent in the deal that we have just heard about. For us, since President Trump imposed, via Section 232, steel tariffs on us in 2018, over the years between then and March of this year we have negotiated quotas and exclusions. We were very happy with the situation until President Trump pulled the rug from underneath us in March and threatened and imposed tariffs on us again and took away all our exclusions and quotas.

I obviously want to talk about the benefits and the drawbacks, but the rest of the world is paying 50% tariffs on steel and aluminium exports into the US. We are currently paying only 25%. Why? That is because the Prime Minister, on 8 May, agreed in principle a deal with the President to, I hope, deliver 0% tariffs for our steel exports to our second-biggest, most important export market, the US.

The problem that we have—both in benefit and downside—is the uncertainty. That was in May; we are still not anywhere near getting the deal, but we are paying the 25% tariff. Therefore, uncertainty is the enemy of business, and our members are reporting cancellations, postponement, and not being able to deliver to their customers the products they need at the price that they need them.

The Chair: Thank you very much, indeed. I will come to questions from all members of the committee, but I want to get some general observations first of all. Mr Marongiu, I want particularly to know what is the level of confidence—and to some extent it has been picked up by what has been said already—that the proposed deal will give the value to your sector that has been promised. To what extent is there uncertainty? We have had that referred to already. That is one question. The other is do you consider that there are any significant gaps in the general terms?

Alessandro Marongiu: I think that the value of the deal for the UK automotive sector is pretty self-evident. Until 5 am yesterday morning British Summer Time, any UK-made passenger car and the vast majority of UK-made parts and components were facing additional Section 232 tariffs of 25%. After the implementation of the automotive relevant sections of the EPD, and despite its potential shortcomings, now we have an opportunity to avoid duties and crippling tariffs on the vast majority of exports of UK passenger cars and some subset of parts and components going from the UK to the US.

The US Section 232 tariffs posed a very severe and immediate threat to a large number of UK automotive manufacturers—13% of UK production of passenger cars goes to the United States. That is the general situation for the industry, but for individual manufacturers the exposure to tariffs

could be much higher; in some cases, up to 50% of their output was going to the US. Having the possibility to avoid tariffs since yesterday is absolutely crucial for these businesses.

On the gaps and uncertainties, first on the negatives obviously I agree that we are worse off compared to 1 January this year. The deal provides a very significant advantage compared to, say, two days ago because it reduces tariff liabilities, but it does not reset our relationship to what it was before Section 232 tariffs were announced and implemented. On uncertainty, the implementation of a quota system in particular for cars, allowing only up to 100,000 units to get reduced tariffs, creates significant uncertainties because it will work on a first come, first served basis. That obviously means that we expect the vast majority of cars shipped to the US to be able to qualify for this reduced tariff rate, but individual exporters cannot have the certainty that their shipments when they dock in the US will be able to benefit from 10%.

The Chair: That will be the moment at which it is tested, whether that particular shipment—

Alessandro Marongiu: Exactly. It is only when clearing customs in the US.

The Chair: I see. I will start to take questions. Lord Howell, please.

Q2 Lord Howell of Guildford: Mr Marongiu, three years ago you were already writing to us from SMMT about the motor industry being in crisis. This is before President Trump appeared on the scene and before the change of Government here. You were very concerned about the subsidy that all American cars were going to receive, and British only in certain circumstances in the use of certain components and so on. This was on top of your domestic problems about when you should cease or not cease producing non-electric cars and all the rest. It was a crisis then. Now along comes all this, which is an additional layer of crisis. Can you separate out for us what happened to the last wave of crisis, how does it interact with the present wave and have things got better or worse?

Alessandro Marongiu: Yes, it has been a number of successive black swans in the industry. Obviously we had some significant challenges, not only from the US side but also from the implementation of the EU-UK Trade and Co-operation Agreement. We had significant challenges in complying with so-called origin requirements, rules of origin for electrified vehicles, and particularly for purely electric.

Some of these issues that have affected the industry are less impactful today than three years ago. For example, the Covid crisis and its poisonous fallout with shortages of chips and the like was very impactful on the industry. That has somewhat relaxed in the last few years. Our relationship with the European Union has also seen improvements, in particular with the delay of tougher origin requirements that still allow, for example, to avoid tariffs on our bilateral trade.

However, the US Section 232 tariffs obviously represented a major crisis. The US represents almost 17% of all our car exports; we export eight out of 10 cars made in the UK, so eight out of 10 cars go abroad. Out of these, almost 17% go to the United States, so clearly this was particularly impactful for the manufacturers that have an export portfolio that includes shipments to the US as a fundamental business operation. The ability to avoid those tariffs was a very significant and very pressing priority for the sector. I think that avoiding the worse impact of Section 232 tariffs was understood by Government as an absolute essential for the sector, and in particular for premium and luxury vehicle manufacturers that are exposed there.

The Chair: Can I ask you before we move on to another topic, and sticking with the industry that you are particularly concerned with: how confident are you with the proposed value of the deal to the motor industry sector?

Alessandro Marongiu: On confidence, it is the first and, for the moment, only deal that has been agreed by the US with any other trading partner following the imposition of Section 232 tariffs. It is the only one that has been implemented, certainly for the automotive side of things. Colleagues here will provide views on other sectors but for the automotive sector it is not simply an agreement in principle; it is operational and is in effect. It has been brought into effect through executive orders signed by the President. The publication of those executive orders in the Federal Register and additional notices from the Department of Commerce mean that the agreement for us is in effect since yesterday.

It has a very significant value. It safeguards the position of those manufacturers that are so essential. Their orders plummeted after the first quarter of this year after the imposition of tariffs; essentially all orders went down quite significantly. I mentioned the US was almost 17% of all our exports of passenger cars at the end of 2024; one month ago, it was 11%, so you could immediately see the very severe impact of these tariffs and the value this deal can bring.

The Chair: Thank you. I will go to Lord Anderson for him to question.

Q3 **Lord Anderson of Swansea:** Gentlemen, you all represent key sectors and it is valuable for us to have your views. I think we are perhaps going around in circles a little. It is clearly worse than it was before Liberation Day but it is comparatively good compared with some other countries. Do your members generally accept that, and what are the main concerns that remain? For example, are farming interests represented in the different implementation date?

Tom Bradshaw: Our number one concern is the viability of the bioethanol sector. The Government have got to look at stimulating demand in that sector very quickly, otherwise they will have factory closures. Ethanol plants will be closing down imminently.

The Chair: I did not quite catch what you said. Which sector?

Tom Bradshaw: The bioethanol sector. The plants will be closing down very imminently if they do not act very quickly.

Lord Anderson of Swansea: Do you expect a subsidy for that?

Tom Bradshaw: I think what they can look at is how they could drive inclusion rates so that there is a higher demand for bioethanol. At the moment we have something called E10, which is 10% inclusion of bioethanol. If they were to look at moving to E20 you would potentially double the demand for the product. There would need to be consultations and things but there are opportunities that the UK Government could have. The viability of that bioethanol sector is a primary concern.

The next is the implementation dates and when we get access to the US market. We also must be able to safeguard and have confidence in the product that is being imported, so there is a responsibility for the checks at the border to make sure that the product being imported is hormone free. That is the guarantee of this deal, that it does not undermine domestic standards in any way. We need to have confidence that we are not buying in product that has been produced using hormones that we have decided we do not want to use.

Lord Anderson of Swansea: Can that be done technically?

Tom Bradshaw: Yes, it can.

Q4 **Lord Hannay of Chiswick:** Could I ask all three of you a general question? You obviously have extremely wide experience in your work of how the various sectors you advise and talk to constantly are reacting. How are they, in their business decisions, responding to the fact that now, for one very important market—the United States—they are being confronted basically by new tariffs that were not there before and that are only there on the say-so of the occupant of the White House? They do not correspond to any form of international authority or rules. You have that with one important market and then you have the rest of the world with whom your members are presumably trading on the MFN provisions of the World Trade Organization and the GATT, and everything that goes with them.

How are they responding in their business decisions to this new division that has been imposed by the President of the United States, to which the Government have responded by the agreement we are talking about now? Could you say something about their response to that? Has it imposed new costs on them? Has it damaged their ability to make investment and trade decisions?

Gareth Stace: UK steel producers who export to the US are in limbo-land. We talk about the general terms of the EPD but for steel there are no general terms; that deal has not been agreed. There was very few details in the general terms for steel. There was an example yesterday of Marcegaglia—that produces stainless steel in Sheffield—and the US is a

very important market for them, saying, "Well, it takes three weeks. I put my steel on a boat; it takes three weeks to go across the Atlantic. Do I put it on the boat tomorrow hoping that we get the deal by 9 July?" The value of this consignment was £3 million, so does his customer pay a zero tariff, £750,000 or £1.5 million, and no one has any idea. We do not know if this week a deal will be agreed or not. We do not know what the melted and poured requirements will be or our ownership requirements.

I am very grateful that you have asked me to give evidence, but on the timing of it, I might see you next week and be talking about the deal and knowing that our members will pay a 0% tariff, or there was no deal and they will pay a 50% tariff. That is the uncertainty that I mentioned earlier. That is the deal that we need to see done because if we do not then our second biggest market—£400 million worth of steel goes to the US every year—could be detonated. For the steel sector, which made the least amount of steel last year since the 1930s, and we have seen imports at a record high of 70% of UK steel demand, it is a very unsustainable position to be in. Therefore, you would not want to lose your second biggest market.

The Chair: I will invite Lord Stevenson, slightly out of turn, because you have referred to the melted and poured requirement. I wonder whether, Lord Stevenson, you might like to ask your question at this point?

Q5 **Lord Stevenson of Balmacara:** Thank you, Chair. Yes, I noticed you mentioned melted and poured; it is not a term I am afraid we use very often, or if we did it would be in a different context. Perhaps you could explain a little bit more about it, but also what sort of clarification does the sector actually require on that?

Gareth Stace: Melted and poured is basically making the steel and making it in the UK. There are changes within our sector at the moment of moving away from the blast furnace production of steel to purely electric furnace production of steel where you take scrap steel and you put it in a vessel the size of a house and put electrodes in, and it melts it and produces brand new steel. While we are in the transition, there are steel producers in the UK that are not making steel and, therefore, would import semi-finished products, slab steel, and roll it into the product they would sell.

Your question was about the detail and the clarification that we need of what does melted and poured really mean. Does it mean strictly that if it is not melted and poured in the UK that that is it, you cannot export to the US within the deal that we hope the UK Government reach with the US Administration, or can there be some sort of carve-out with assurances that, yes, while it might not be produced in the UK, it is not produced in certain countries and it is produced in other countries?

The same could be said for ownership. There was one mention when the President was delivering his speech back in May of Chinese ownership, but Chinese ownership was dealt with, with the previous exclusions within the agreement that the UK Government had with the US Administration

before March, where the company in the UK's parent is Chinese-owned. Therefore, they were able to give those reassurances to the US Administration that satisfied them that whatever steel was sent from the Scunthorpe Steelworks to the US would be melted and poured here in the UK and not come from China.

Lord Stevenson of Balmacara: In a sense you have a problem, which is that you cannot get the definition you need, but your answers would seem to align with where America is trying to get to. Have you got a problem in communicating that or is it a question of getting that definition down on paper?

Gareth Stace: I think it is very well communicated and both sides know exactly what the issue is. It is whether the US Administration is willing to accept our reassurances, but there also could be changes within the UK. You could source that slab steel, the semi-finished product, perhaps from the UK market. It is getting that certainty, and then the UK market moving in response to that if it is commercially viable to do so, to export to the US.

Q6 **Lord Marland:** I want to make a point, if I may, so I can understand it better. I should declare an interest, that I am a major shareholder in an exhaust manufacturer in the UK, not that we do much in America. I cannot understand where the logjams are. There seems to be a vacuum in a number of your industries. Could each of you tell us where the vacuum is: is it on our side? Is it on their side? Do you have a timetable of when it will be resolved? Is there a sunny upland?

Gareth Stace: I can answer quickly before my colleagues answer. The logjam is in the US; it is the US Administration. A good analogy here is that UK Government officials and Ministers are working 24 hours a day, seven days a week to get this deal done, whereas the US Administration are presumably working from 9 to 5, because we need the deal more than they want to agree the deal.

Lord Marland: As I anticipated, yes.

Tom Bradshaw: I have a slightly different view in that we were desperate to do the deal, which meant that we did not necessarily get into the detail of the deal before it was announced. There is a consequence of that, which means we are still negotiating even though in principle we have a deal. The detail is still being worked out. Adding to this lag is that it was not fully understood by both sides; there was an agreement in principle and the implementation of that is still being negotiated very often. I think it is slightly more complex. I agree that we are more desperate to get the deal over the line than perhaps the US are.

Q7 **Lord Boateng:** Can I pursue that a bit with you, Mr Bradshaw? You say we are more desperate to get the deal over the line than the US are, but surely the US has been very anxious to secure a deal because they have not been able to do one with anyone else. Indeed, President Trump has—forgive the pun—trumpeted his success in doing a deal with us. Is it fair

to say that we are desperate to get the deal? I would have thought the desperation in one sense comes from the US who are having to do so many deals with so many people. We at least have only to focus on them.

Tom Bradshaw: The trade agenda that we have been following over the last six weeks has been pretty packed and it has not just focused on the US. We have India, US, EU, Gulf Cooperation ongoing at the moment, back negotiating with the US again. It is a packed agenda for a country that has not been doing many trade deals.

Lord Boateng: We did not do many trade deals under the last Administration, but this Administration in fact has done quite a few, and you seem to have benefited from it. Is that not fair? Have you not done rather well since the Prime Minister and this Government took the interest they have done in pursuing our interests with the United States and indeed with others?

Tom Bradshaw: I think that agriculture has borne the brunt of removing the tariffs for the rest of the UK economy. The closure of the bioethanol sector is not something we should be celebrating, so I think it is very questionable. We have upheld our standards within the deal, which is something that we very much welcome. We do not know when we will get our beef tariff into the US and that is a detail that we need. We know that they have access to our beef market today, so—

Lord Boateng: We are doing better than any other farmers in Europe. Given that we are not members of the European Union, we are doing quite well out of it.

Tom Bradshaw: At the moment for agriculture I would say that is slightly rose-tinted spectacles, and that is why I opened up—

Lord Boateng: You would rather be in the EU and be where the EU are with the US?

Tom Bradshaw: No, we are talking about the US trade deal and I started by saying that we recognise the pressure the UK economy was facing, so the urgency to do a deal was clear, but agriculture has borne the responsibility of removing the tariffs for the other sectors. That is very clear.

Lord Marland: Could I ask for clarification from the motor side where the logjam is, Chairman?

The Chair: Please, let us get that and then we will come to Lord Hannay, because I want to get this clear if we can.

Alessandro Marongiu: Absolutely. I think the logjam is mostly due to the fact that the US is negotiating multiple agreements with multiple countries at the moment. I cannot fault the UK Government, honestly, for trying the best they can to secure a deal as fast as possible. To the question of whether the industry recognises the value of having a deal, and for us having it implemented before any other sector, I think

everyone recognises that. There was involvement at the top level of Government to advance a deal on automotive that could safeguard our sector to the maximum possible extent.

May I address also the question about the response to the US being desperate and similar? From our side, the response was composure. We did not see panic either at Government level or business level but there was also a very clear sense of the need to impress the urgency of the matter on the UK Government. I think the response on that was clear, that the Government understood the urgency of the situation for the automotive industry without panicking.

Q8 Lord Hannay of Chiswick: Could I possibly ask you now to address the question I actually asked? How in their business decisions are your members responding to the fact that in place of a global system, which consisted of MFN treatment and accepting bound tariffs that were written down on paper and applied in both directions, they are coping with a world where all those parameters are moveable at the will of the President of the United States, and the rest of the world—that I imagine your members do trade with a little tiny bit—are still working on the system of MFN treatment and accepting bound tariffs? I would like to hear what the reaction of your members is to that splitting of the world system.

Tom Bradshaw: For agriculture, the US is our second largest export market—the EU is seven times larger than the US market—but it is an important export market. We have to recognise that even today after the deal there are still 10% tariffs on all exports into the US. There are two choices, are there not? One is that it is a cost to the US economy and the other is that it is a discount to the value of the product being exported to the US. Where they are premium products, some artisan cheeses or cheese in general, there is a feeling that the US economy will be willing to pay.

Bigger concern comes forward from displacement of third-country products. There is a lot of Irish butter exported normally to the US. What will happen to that Irish butter and where will that be looking for a market if it is not destined for the US? We are very concerned about the displacement of third-country exports, that would normally be destined for the US, when the full tariff regime is implemented. It is less within our control though. The 10% tariff arguably was in our control but we have decided that we would accept the deal we were being offered and accept with that there was a 10% tariff on the majority of our exports to the US.

The Chair: You are saying you are worried that the displaced products will come to the UK; is that the point?

Tom Bradshaw: If there is a disruption to the global trade, it could lower the market values of that displaced product. Butter being—

Lord Hannay of Chiswick: Presumably all three of you would answer that it will impose additional costs on your members to have to cope with

two different systems rather than one?

Tom Bradshaw: For us it is about the value of the export product and who will carry the burden of the 10% tariff, and then is that still an attractive market or will they be looking for other markets around the world. That is what will dictate what the unrest is caused by in the global trading environment.

Lord Boateng: When you say "Irish butter" you do not mean butter from Northern Ireland; you mean butter from within the EU.

Lord Boateng: Kerrygold, yes.

Tom Bradshaw: I was not going to name it but, yes, Kerrygold.

The Chair: I will bring in Lord Anderson. I am not sure we have got an answer to the question Lord Hannay put.

Lord Hannay of Chiswick: It is okay, thank you very much.

Q9 **Lord Anderson of Swansea:** Part of the problem may be that we are one unit negotiating with the US, but our US opposite numbers are dealing with a whole series of negotiations at the same time. We are part of the panoply of negotiations that they are carrying out, which may have implications on time. Is it your feeling that the general principles having been agreed, the details being implemented now, there is generally good will on the part of the US negotiators in finding a solution?

Gareth Stace: We have no idea because we are not sitting in the room when these negotiations are taking place. We do not know the details of what the UK Government are proposing for steel to the US Administration. We feel we know what the stumbling blocks are but we do not know for absolute sure. We have supplied all the data that is required of us to be able to show historical imports from the UK to the US and how big we think the quotas perhaps should be. We are unfortunately the passenger in something that is very important to us.

The Chair: Mr Stace, you have to accept surely that the Government are negotiating and they cannot tell you what the answer is until it has been negotiated. You are not suggesting that when they have negotiated a solution they will not tell you?

Gareth Stace: No, please do not think I sounded that I was cross about it. It is what it is and we have to wait. If you asked me do I trust the government officials on this, yes, because they fully understand the steel sector and the issues that we face.

Lord Boateng: That is a comfort, and you feel that the civil servants are communicating well with you, and they are taking on board your messages?

Gareth Stace: Yes.

The Chair: Lord Howell, please, who has been waiting to ask a question.

Q10 Lord Howell of Guildford: It seems to me, talking about the motor industry, for the finance directors and project planners, the new model planners throughout the industry, the situation must be a complete nightmare. Nothing is certain and the answers on the American side will depend on how far they are successful in building up import substitution, and indeed producing products in a completely different culture than we want to buy in this country. Am I right in assuming that when you are dealing with your members you are dealing with a situation of total uncertainty at the moment, which is why there is difficulty in answering these precise questions?

Alessandro Marongiu: I would not say that the UK automotive industry has total uncertainty at the moment because we have essentially the automotive relevant part of the deal already being implemented. Going back to the question of whether US negotiators are showing willingness to accommodate some of our requests, for the automotive sector this is already clear because the quota is in place since yesterday morning. What they promised to do under the Economic Partnership Deal, they actually did. They published executive orders that have the force of law, and since yesterday US customs are charging 10% on qualifying products.

Uncertainty exists, though, for the fact that the measure that was agreed between the UK and the US is very unusual for the UK automotive sector to deal with. A tariff rate quota for finished vehicles imposes essentially a cap of 100,000 units that can get a discounted—

The Chair: Get the preferential rate, yes.

Alessandro Marongiu: That 100,000 cap pretty much reflects the volume of vehicles we sent to the US last year. That is why I am saying we expect the vast majority of cars that are shipped from the UK to the US right now to be able to get a tariff discount from the 27.5% full tariff to 10%. However, the uncertainty is there because you cannot know whether the quota is filled until essentially—

The Chair: I am sorry, you cannot know what?

Alessandro Marongiu: You cannot know whether the quota, the 100,000 volume quota, is filled before the products dock in the US, until they clear customs. The moment you export the 100,001st vehicle, that one vehicle will get the full might of Section 232 tariffs. That is the challenge in planning and dealing with this particular system that the parties agreed.

Lord Boateng: How many did you export last year before the tariffs came in?

Alessandro Marongiu: A little bit more than 100,000.

Lord Boateng: About how much?

Alessandro Marongiu: According to SMMT data it was 101,000. We do not capture it all so there might be a little bit more than that. That is why I am saying the quota pretty much reflects exactly the same volumes from last—

The Chair: We understand that. I will bring in Baroness Lawlor now, but there are some very important questions I still want to come back to. Baroness Lawlor, could you please ask your question?

- Q11 **Baroness Lawlor:** This is a fascinating discussion. My question is: what are the potential risks of the tariff changes for your sector and how could those risks be mitigated? You have already spoken very graphically about the uncertainty for steel and for the motor industry. You have spoken about the danger of dumping and the danger that impact the quotas for the cars poses, for instance. Whether you want to add to these matters of uncertainty or whether you want to look at the tariff, the proposed tariff levels are mitigation of the steel tariff once we have a deal, and what could happen in agriculture with regard to bioethanol and beef. How will that impact your respective sectors and what are the risks? If you were down there advising the Government, what would you ask them to do to mitigate those risks?

The Chair: Let us take them industry by industry perhaps. Steel?

Gareth Stace: For us to get the deal over the line that I have spoken about at length—that is zero tariff based on a fair quota of historical imports into the US—that would be very welcome as soon as possible, and well before 9 July I hope. We always ask in the steel industry, because we are a very fiercely globally-traded product, for a competitive business landscape in asking the Government what they could deliver. We need a competitive business landscape where we can compete here in our home market, in Europe and globally.

We talked about how do we react. We have this global WTO system and then President Trump does what he likes. We react because things get thrown at us and we have to react to it. There are zero tariffs on steel between developed and developed countries and there has been for decades. This disrupts that, and for us the direct impacts of whether we pay a tariff or we do not pay a tariff are important, but actually it is the indirect impacts of President Trump's tariffs on steel globally that will impact us more. Why? There is a lot of steel that would have gone to the US market that now is looking for a place to go.

The UK is a small but very open market and, therefore, we fear there will be a flood of steel coming to the UK shores. There is a global overcapacity of steel, some 700 million tonnes of global overcapacity. We find it difficult to compete because steel demand is depressed, prices are low and, as I said, it leads to a 70% import penetration in the UK. Therefore, what we need to see from Government, as well as delivering the competitive business landscape, is strengthening our trade defences to stop that surge and flood of steel that might come to our shores. We

are happy with imports but we do not want to see a further surge in imports.

The Chair: We have got the point, thank you very much. Let us deal with motors and then we will come to agriculture.

Alessandro Marongiu: First of all, on the impacts of tariff changes, a 10% tariff might be manageable but it could be impactful, none the less, particularly for more price sensitive exporters here. We have a huge variety of manufacturers exporting to the US; they are all premium and luxury manufacturers but some models are certainly more exposed to competition from imports than others. The quota is issued on a first come, first served basis so that is inherently challenging, and particularly for those businesses that essentially cannot ship for stock purposes. They are delivering on customer's demand but have to, for example, almost handcraft a vehicle from nothing after receiving an order. They cannot plan ahead for volumes.

What can be done? The worst thing that could happen is for Government to consider that this is done and solved. We need constant monitoring, continued dialogue with affected businesses, potential new entrants and others to try to identify how the quota is working in practice, potential shortcomings and, if possible, where shortcomings are identified, also discuss potential alternative solutions to the model.

The Chair: Presumably your members will be monitoring this. You expect the Government to as well but your members will be monitoring this effect?

Alessandro Marongiu: There is no one with a specific task to monitor who gets what kind of share of the quota, because there are also legal implications potentially from an anti-trust perspective. I can say that obviously if, for example, smaller volume manufacturers, the luxury end, might struggle to fill the quotas or get a share of the quota, everyone will know. It is important that they are not left alone because some of them might be more exposed to the US market than other manufacturers.

Baroness Lawlor: Can I ask a supplementary, Lord Goldsmith?

The Chair: Yes, Baroness Lawlor.

Q12 **Baroness Lawlor:** If you were advising the Government, would you urge them to move to a more open free trade deal so that we are not stuck? What you are talking about is the risk management of what has been agreed on a temporary basis, but the aspiration is that we move to a more open one. We try to get rid of the quotas and we try to get rid of the tariffs. How likely is that and how much would your industries benefit by pressing for that?

The Chair: Baroness Lawlor, that is addressed to whom, please?

Baroness Lawlor: I suppose I am addressing all. We have heard from the steel industry, the automotives and the agriculture. It is risk

management at the present but what about what is supposed to happen? The EPD, the economic arrangements, is supposed to lead to a more fully fledged trade deal, a free trade agreement with the US.

Tom Bradshaw: The world has not seen evidence that it is possible to get to lower than a 10% tariff. Our very real concern is that agriculture has already shouldered the burden to get the tariffs down to 10%. We cannot be expected to carry any more of the weight of expectation to remove those tariffs further. Is there a realistic opportunity to remove those 10% tariffs or is that the base now for the US economy? I think that is a very genuine question that we need to look at in global trading terms as to what the impacts and consequences are.

While we are doing that, there are other things we can do in our domestic market. I have talked about E20. We have written to Jonathan Reynolds, the Secretary of State for Business and Trade, with some remedies for the bioethanol sector. They could start to action those remedies very quickly rather than continue to maintain the pressure, chasing what we do not know whether it is possible or not.

The Chair: I will bring in Lord German at this point.

Q13 **Lord German:** It is about the timing of all this and the prospect that in the end you do not get an agreed update and the tariff changes set out are not implemented by Wednesday or Thursday of next week. If that does not happen, what is the impact immediately on the steel sector?

Gareth Stace: In the steel sector, we will continue to see, which we have already, orders being cancelled or orders being postponed, but I think they will just be cancelled, and our American customers trying to look elsewhere. If it was 50% across the board, unless they could buy that from the US, it would just be costing them 50% more. The reason why they buy from us and ship it across the Atlantic and it takes three weeks is because they do not make the products in the US that we sell them. It would be hugely disruptive but we would have the certainty that we are paying 50% or 25% that we do not have a moment.

I am trying not to think that the deal will not be agreed. I hope the deal will be agreed. We are not the problem that President Trump is citing on rising imports. Our exports have dropped to the US since 2018, so I am hoping and am sure that there will be a deal agreed by next Wednesday.

Lord German: Is the size of the quota critical for you?

Gareth Stace: Yes, absolutely. The size of the quota is critical and I hope that will be generous enough to allow enough exports that will reflect historical trade flows between the UK and the US and our customers that we have had there for decades often.

Lord German: What would be on the optimistic side of what the quota should look like to be progressive or stand still? Where would you be?

Gareth Stace: On a particular number, perhaps 500,000 tonnes, not very much.

Lord German: No, it is not. Would that give you profitability or is that stand still?

Gareth Stace: As I said, our exports have gone down by 14% since 2018 and that would allow for those to go slightly back up but literally not to flood the US market with UK steel.

Lord German: Going back to the point about your orders being cancelled, if a deal is not done by this time next week, presumably it is not a deal that will ever happen. It is still under negotiation, but in that period you are saying that those orders that have been delayed will now be cancelled and that is what you expect to happen. Are there American importers who would say, "This is likely to happen. We can get it at this rate but if we went for the larger rate we would not be there"? How much speculation will happen and what will the impact be on our producers?

Gareth Stace: There is a huge amount of speculation because how long can you wait for the product that you need to produce the manufactured product that the US customer sells? No one wants to be the last person that buys the steel from the dock, that pays the 25% or the 50% when the next person in the queue pays zero. The problem that we have seen, and I have spoken to one of our members yesterday who talked about a deal with one of their customers that has been cancelled even if the tariff comes to zero. Why? The US customer cannot cope with President Trump's uncertainty. If he agrees 0% next week with a reasonable quota, what might happen in three weeks' time or in three months' time? They now are looking to see where else they can go to get that particular product.

The Chair: That point has come across clearly from all your evidence and that is very useful to know. I want to cover a few further points and I wonder whether Lord Howell wants to press you a little bit about what support could be made available to businesses through the implementation of the tariff changes.

Q14 **Lord Howell of Guildford:** This is an issue again that came up three years ago: were we going to go for low subsidies to the Americans or would we follow the EU route of subsidy or were we going to just sit here and hope that things will get better for the motor industry? I will start with the motor industry. What is the feeling in the motor industry—that things are so uncertain and we just have to sit it out or that there are rival Government measures that can come in to somehow support the industry? It seems a very big demand indeed. The motor industry is supposed to be competitive and was very much, thanks to Japanese support. How are they seeing things now?

Alessandro Marongiu: On Government support, I will simply address what can be done on the implementation of this deal. The sector is very broad and has a number of asks in other areas as well, but on reducing

uncertainty, we are already seeing some teething problems in the implementation of the quota and on parts as well. Support to engage with the US customs authorities is the most immediate kind of support that can be offered in post.

Guidance is dearly needed, for example, on how to deal with the origin of goods. This agreement applies to UK-made vehicles and UK-made parts but there is no clear definition of what UK-made vehicles and UK-made parts are in the eyes of US customs. Anything that can allow our manufacturers to trade with a degree of certainty would be very helpful. Continued engagement, as mentioned, offering some kind of monitoring system in particular to understand quota fulfilment almost in real time would be very significant because that would allow manufacturers to know at the time of shipping at least whether there is still margin for the quota or not.

Again, it is engaging potentially and using a baked-in provision in the EPD to seek further improvements going forward, potentially an increase of the volumes going forward or maybe a change in the model used for quota administration if we see that there are significant shortcomings or if it is implemented unfairly.

Q15 The Chair: I want to ask specifically—and you have mentioned ethanol several times, Mr Bradshaw, and that is important—can you answer the same question on that: what are the measures that could mitigate the problems for the ethanol industry?

Tom Bradshaw: I do not think we are going backwards, so we have to look at how we can boost demand for domestic ethanol. The tariff-free quota fulfils our current domestic demand, so that means we have to look very quickly at moving from something like E10, which is the 10% inclusion, to 20% inclusion, which is utilised in other parts of the world. That would boost demand for domestic ethanol. There is a range of other measures, which begin to get quite technical. There is a crop cap, which at the moment is not set at its maximum level, so they would be able to increase the crop cap up to the maximum permitted level under the renewable transport fuel obligation. There is a double-counting issue to do with waste.

There is a range of measures that DBT knows about and could look to implement very quickly, but I think we are in the last chance saloon. We are at the 11th hour and announcements are imminent if this is not implemented very shortly.

The Chair: Lord Marland, are you going to ask about the extent of consultation by Government on tariff changes?

Q16 Lord Marland: It sounds as if you have had very good consultation with Government but I am quite interested, Chairman, on the farmers, given that you have been protesting against the Government. Have you found that this has created a change in relationship?

Tom Bradshaw: No, I would say we still have a very strong relationship with Government, which surprises a lot of people. We still have very good access and I feel on something like the beef market access we have got to the US that we have absolutely been listened to.

I do not believe the consequences of the bioethanol were fully understood. We had raised our concerns. We put it on a risk register back in February and it was highlighted as a sensitive sector. It felt like an 11th hour intervention, which meant that bioethanol was agreed in the way that it was. I do not believe the consequences were fully understood and would necessarily have happened if it had been fully understood. There was a crisis three years ago, four years ago, six years ago in the shortage of carbon dioxide. I would not underestimate the strategic importance of carbon dioxide to national infrastructure. That is something that we are very, very concerned about. We have asked for an assessment to be made and we have had nothing yet that has given us the confidence that strategically it is recognised how important that is.

Lord Hannay of Chiswick: There is no degree of reciprocity available on the ethanol grant because the United States are not offering anything reciprocal to what they are asking. What are the risks that Brazil, a rather large producer of ethanol, will bring a case under WTO rules that it is being discriminated against illegally because all the actions taken by the United States are unilateral and illegal under WTO rules? What are the risks that that will unleash further complexity?

Tom Bradshaw: The US has demonstrated multiple times in recent years that it is not that worried about challenge from WTO. I am not convinced that it will be overly concerned.

Lord Hannay of Chiswick: Sorry, I am not talking about the United States having such a challenge made against it, because it is quite clear that it has walked out of the WTO. The Government have just announced in their trade strategy that we are joining the interim measures system, which means we are staying within the system of having disputes settled among everyone except the United States. The question I asked you is: what is the risk to the Brazilians will bring a case against us for not fulfilling our WTO obligations, which we still have?

Tom Bradshaw: I do not feel qualified to answer that question. We were the second largest export market for the US for bioethanol. They were already more competitive than Brazil into our market but I do not know what is the likelihood of Brazil challenging at WTO.

The Chair: Mr Bradshaw, Lord Hannay has raised an important question. Are you prepared to take it back to your advisers and your team and see if they have an answer to that question? We are very interested in what the consequences are for the WTO system.

Tom Bradshaw: Yes, indeed.

Q17 **Lord Boateng:** This question is to each of you in your respective sectors.

Do you have much to do with the WTO?

Alessandro Marongiu: We have everything to do with the WTO.

Lord Boateng: Do you find them responsive to your concerns?

Alessandro Marongiu: It depends what responsive means. We do not have direct dealings with the WTO. It is entirely intergovernmental, but the WTO system itself for the automotive sector is absolutely crucial. We have a challenge, obviously, in dealing with the United States and its particular approach to regulated international trade. I think we took a very pragmatic approach on that, but our response to the trade strategy was that we need to preserve the international regulated system to the maximum extent possible. We also suggested, for example, for the UK to join the alternative resolution because if someone has a valid concern, it can be addressed through dispute resolution.

Lord Boateng: As far as your industry is concerned, the WTO, with all its fragilities, is the best thing out there to protect your global trade?

Alessandro Marongiu: The system is embodied and the underlying principle is embodied by the WTO, the MFN and national treatment, allow us to trade with everyone. We export eight of 10 cars globally to 140 markets around the world, if everyone decides not to follow the rules any more, we have a big issue. 90% of the market for passenger cars in the UK is imported, If we decide to not follow the rules any more we also have a problem in the UK car market, so rules are important.

Q18 **The Chair:** We have already exceeded our time just a little bit. There are two final questions I would like to ask, if possible. One is that, Mr Bradshaw, you said several times that you feel that the agricultural sector has borne the brunt of the tariff dispute. I would like you to explain that, because I am not sure that I fully understand it. The second is a slightly broader question for all of you, if you have time to answer it, please. What do you hope for from the Government in next steps for your sector on the negotiations with the US? Mr Bradshaw, just explain your bearing the brunt comment so I understand.

Tom Bradshaw: I do not think any other sector has—sorry, let me take one step back. We still all face 10% tariffs, or the vast majority face 10% tariffs, so we have not removed the tariffs on food exports to the US. We have given access to US beef, which is now up to 14,000 tonnes. Previously it had 1,000 tonnes at 20% tariff and it now has 14,000 tonnes tariff free. We have agreed to drop the 19% tariff on 1.4 billion litres of US bioethanol when we have domestic demand for 1.2 billion, 1.3 billion litres. All in all, to try to remove the economy-wide pressure, the only sector that has taken the burden here is the agricultural sector.

The Chair: I understand your point. Thank you for explaining it that way. Maybe everyone else understood it that way already.

Tom Bradshaw: On our hopes for the future, we have to be very strategic now and question whether the 10% tariff can genuinely be

negotiated away. I think we have to be very careful not to give too much away in the hope that we can try to prove we can get 10% renegotiated. There is a question whether we should remain at the table or not.

Alessandro Marongiu: On favourable outcomes, first of all, there are some gaps. For example, not all UK-made parts can qualify for a flat 10% tariff, so pursuing an even more ambitious agreement there. The Section 232 tariff investigations for example on heavy-duty vehicles and related parts. Insulating the sector from future tariffs to the maximum possible extent. Monitoring the negotiation with other countries and try to make sure that we remain ahead of the pack, so if anyone negotiates better tariffs than the UK, try to secure similar tariffs for us as well. Again, seeking further adjustments if needed.

Gareth Stace: Quite simply, for steel to have what we had before March, quotas and exemptions.

The Chair: Gentlemen, thank you very much indeed. Unless any members of the committee want to come in, thank you so much for giving your time. It is very hot and, I am sorry, an even hotter room because the window had to be closed because of exciting events taking place below, which we cannot control. Thank you very much indeed.