

FEATURE

What Trump has done - and why it matters

Jennifer Clarke

Jemma Crew, BBC News

• Published 3 April 2025, 13:28 BST

<https://www.bbc.com/news/articles/c0qnd2x1nn3o>

Watch: Three things to know about Trump's tariffs announcement

US President Donald Trump announced sweeping tariffs on goods from countries across the world, on what he called "Liberation Day".

He says the move will make America wealthy again, but economists warn that prices could rise for Americans and fears of a global trade war have grown.

What are tariffs and which countries is Trump targeting?

Tariffs are taxes on goods from other countries. Companies bringing the goods into the country pay the amount, typically a percentage of the goods' value, to the government.

Trump announced a 10% "baseline" tariff on imports to the US. This is what the UK will face.

But 60 countries will be hit with higher rates of up to 50%, including Cambodia, Vietnam, Malaysia and Bangladesh. Countries in the European Union face a 20% tariff. The tariffs are set to take effect in days.

Trump also confirmed previously announced tariffs on specific goods, including 25% on steel, aluminium and foreign-made cars.

Why is Trump so keen to use tariffs?

Since the 1980s, Trump has strongly argued that the taxes can boost the US economy.

He believes they will encourage US consumers to buy more American goods, and increase the amount of tax raised. Trump also



Image source, Getty Images

wants to reduce the gap between the value of US goods imported and exported.

The White House said other countries were taking advantage of the US by imposing their own high tariffs and other trade barriers. "For decades, our country has been looted, pillaged, raped and plundered by nations near and far, both friend and foe alike," the US president said.

However, Trump is taking an enormous risk upon which he is staking his presidency, our North America correspondent Anthony Zurcher writes.

If successful, the move could reshape the global economic order. Trump promises that it will rebuild American manufacturing and make the country more self-reliant.

But it risks alienating allies and economists warn it could raise prices and threaten a global recession.

A messy global trade war looks inevitable, suggests the BBC's economics editor Faisal Islam.

Trump's decision to take tariff revenues to a level beyond those seen during the 1930s will mean huge changes to world trade patterns, he says.

Will prices go up for US consumers?

Economists say many companies are likely to pass the increased cost of imported goods onto their customers. They could also reduce imports, meaning fewer products are available - putting further pressure on prices.

To raise the revenue Trump is hoping for, US consumers are going to have to swallow rises and keep on buying items made in other countries in similar quantities, says the BBC's deputy economics editor Dharshini David.

And as she points out, history shows the frontline casualties tend to be consumers, due to reduced choice and higher prices.

Cars, lumber used to build houses, beer, whisky and tequila, and avocados are among the goods that could become more expensive.

How is the world reacting to Trump's tariffs?

Global stock markets fell and a series of world leaders condemned the measures.

European Commission chief Ursula von der Leyen said "the consequences will be dire for millions of people around the globe".

EU countries are finalising a response to the 25% steel and aluminium tariffs and could announce further measures.

The commission has promised to protect European businesses, including Germany's car industry, Italy's luxury goods and France's wine producers.

China has promised "resolute countermeasures", which are likely to hurt US companies trying to sell into the huge Chinese market.

However, Trump's tariffs may also benefit China by allowing President Xi Jinping to portray his country as a champion of free trade, the BBC's China correspondent Stephen McDonnell says.

UK Prime Minister Sir Keir Starmer acknowledged the economy will be hurt by the latest tariffs but promised to react with "cool and calm heads".

Business Secretary Jonathan Reynolds told MPs the government would look at how retaliatory tariff measures against US products could affect British firms.

Canada's Prime Minister Mark Carney said the country would retaliate against US tariffs soon, "with purpose and with force", to protect workers and strengthen the economy.

How tariffs could affect UK households - and their money

The UK faces a 10% tariff on goods heading to the US but there's lots of uncertainty about what it could mean for the UK itself:

Prices could rise - or fall

Once tariffs are in place, the value of the dollar could strengthen. That might push up import costs for UK firms, which could mean higher prices for consumers.

But some economists say prices might actually drop at first. That's because firms that usually sell to the US might start sending their goods to countries like the UK instead - possibly leading to a surge of cheaper goods here.

Your job could be affected

Higher prices might lead workers to ask for bigger pay rises. If UK companies see their profits squeezed, job cuts could follow.

Interest rates could stay high

Rates are currently at 4.5%, and economists had expected two cuts this year. But if inflation rises because of higher prices, rates might stay higher for longer.

What about the impact on the US economy and world trade?

The chance of the US economy heading into a recession rose to 50% after Trump's announcement, according to former International Monetary Fund chief economist Ken Rogoff.

Trump has previously refused to rule out the possibility of a recession.

There are worries that tariffs could affect US consumer spending - a massive part of the global economy.

In Asia, tariffs will "break the business models of thousands of companies, factories, and possibly entire nations", says our economics editor Faisal Islam.