

# Funding the Future

## Will the UK fall into Trump's trap?

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This is the first of a series of tables put out by the US government yesterday to supposedly justify what it calls reciprocal tariffs:



Country	Tariffs Charged to the U.S.A., including Currency Manipulation and Trade Barriers	U.S.A. Discounted Reciprocal Tariffs
China	67%	34%
European Union	39%	20%
Vietnam	90%	46%
Taiwan	64%	32%
Japan	46%	24%
India	52%	26%
South Korea	50%	25%
Thailand	72%	36%
Switzerland	61%	31%
Indonesia	64%	32%
Malaysia	47%	24%
Cambodia	97%	49%
United Kingdom	10%	10%
South Africa	60%	30%
Brazil	10%	10%
Bangladesh	74%	37%
Singapore	10%	10%
Israel	33%	17%
Philippines	34%	17%
Chile	10%	10%
Australia	10%	10%
Pakistan	58%	29%
Turkey	10%	10%
Sri Lanka	88%	44%
Colombia	10%	10%

Others in the series [are available here](#).

The problem with the chart is that it is complete nonsense. Trump has made up numbers and then halved them, and called them the US tariff rate.

For example, the average tariff rate in the EU on US imports is around three per cent, because such charges apply to so few products. That's it. In other words, a reciprocal tariff of three per cent might have been justified. Such tariffs already exist.

Then there is, of course, VAT, or value added tax.

VAT is not a tariff. It is a domestic sales tax charged on all products sold in the EU irrespective of the point of origin. Precisely because it does not discriminate, it is not and cannot be a tariff. To suggest it is such a thing is absurd. Any serious economist and tax expert would agree. Trump disagrees. He claims it is a tariff.

But then consider that the average EU VAT rate is around twenty per cent, although the appropriate weighting for US imports is a little hard to know. So, adding the average VAT rate onto the three per cent tariff rate comes to a little over 20 per cent in so-called tariffs for the EU. Trump claims it is 39 per cent. The UK, on the other hand, he claims to have a 10 per cent rate, and the UK's VAT happens to be at EU average rates, meaning that neither claim makes any sense at all.

If the UK exploits this, we will lose out very badly.

Serious problems on the border in Ireland already look to be very likely.

The point is, imposing taxes on the basis of works of fantasy is not a rational economic act. It is, instead, an act of aggression. The UK has to realise that it is just a pawn in that war.

Will we?

Will we have the sense to say that the UK's tariff rate makes no more sense than the EU's does?

Will we have the sense to not mention Brexit?

Will we have the sense to align with the EU against the aggressor, from whose actions we are also suffering?

Or will we fall into Trump's trap?

I fear it will be the last. We would pay a high price for that.