

Geopolitical update.

Analysis from Sir David Lidington,
Senior Counsel

31 July 2025



Geopolitical update – July

Analysis from Sir David Lidington, Senior Counsel



Sir David Lidington

Senior Counsel
H/Advisors Cicero

Starmer will be relieved that Trump's Scottish foray went well. The President clearly enjoyed his golf and being the centre of attention throughout his visit. His warm words for Starmer and the length of time that the Prime Minister was given with the President will have been welcomed in Downing Street, and Trump's language on both Putin and Israel will be seen in London as a small step towards the UK's worldview. Starmer will see the criticisms that he got in the British press for kowtowing to Trump as having been worth it.

Globally, markets have calmed. Trump's tariff policy now looks clearer than it did in the Spring. His priority is to raise revenue to finance planned tax cuts. Negotiations with major trading partners will be about finding the level that the trade partner is willing to bear to avoid a trade war. A 10% or 15% tariff looks likely to become the normal baseline.

Even direct threats from Trump to fire the Chairman of the Federal Reserve failed to spark much market reaction.

That said, serious risks remain. A baseline US tariff of around 15% is a lot higher than the most-favoured-nation (MFN) tariff levels in place before Trump returned to office. "Trade deals" with the UK and EU as yet have no legal standing and depend on the goodwill of a mercurial President. Talks with China could fail and spark a new round of 'tit for tat' tariffs and export restrictions.

Ukraine

Starmer will welcome Trump's harsher tone about Putin. The PM's consistent advocacy for Ukraine with Trump in private (along with other leaders like Merz and Rutte taking the same line) will have contributed to this shift. Rubio's greater influence (he is now both Secretary of State and National Security Adviser - the first time since Kissinger in the 1970s that one man has held both roles simultaneously) may also have been a factor.

What Trump is willing to do is a moot point. So far, he has mentioned sanctions, and only sanctions, as his means of bringing pressure to bear on Russia. But the US has little trade with Russia, and it is hard to see Trump being prepared to impose secondary sanctions on India and China for buying Russian energy.

Geopolitical update – July

Israel / Palestine



The US and UK have staked out different positions on Gaza, especially on the diplomatic recognition of Palestine. Trump's reaction to the British Government's announcement was not explosive, and it seems likely that Starmer briefed the President in private during their discussions in Scotland (Jonathan Powell would have done the same with his White House opposite numbers).

The outcome of this week's meeting at the UN in New York (which was not attended by the US) puts the French and British decisions about recognition in a broader context, with Saudi Arabia, Qatar, Egypt and other Arab countries publicly demanding that Hamas release all hostages, disarm and be excluded from the future government of Gaza. European recognition of a Palestinian state looks like a quid pro quo for the renunciation of Hamas by Arab powers.

Macron will have known about Trump's visit to Scotland and will have accepted that Starmer could not make his announcement about Gaza policy until that visit had ended.

Starmer's announcement on recognition manages the growing pressure within the Labour Party for the Government to act against the humanitarian crisis in Gaza and seek sustainable peace. But he knows he will have to take a decision by the time the Labour Party conference opens on 28 September.

In practical terms, British or French recognition of a Palestinian state will make no substantial difference to the provision of aid, the conduct of war, or Israeli policy on the longer-term future of the Palestinian territories. Without a change of leadership in both Israel and the Palestinian National Authority, it is hard to see any serious effort to establish a path towards two states.

Geopolitical update – July US / China

While the Stockholm talks between Bessent and He Lifeng did not conclude with a firm decision to extend the current pause in the tariff war, the two sides agreed to continue discussion to try to agree an extension beyond the current deadline of 12 August.

- At the same time, Trump has mused publicly about a possible visit to China and summit with Xi before the end of the year, and the President of Taiwan was told that he would not be allowed to transit through a US airport en route to a planned (but now cancelled) visit to Central and South American countries that still recognise Taiwan.
- While Trump may, of course, again turn hostile towards China, his current mood seems to be that he wants a deal on trade and supply chains.
- Xi will welcome the prospect of an agreement that averts heavy new burdens being placed on Chinese exports but will also see the warmer mood music in Washington as a vindication of his tough reaction to Trump's first announcement of higher tariffs and of China's imposition of export restrictions on rare minerals.



Geopolitical update – July

EU and UK trade agreements with US

Von der Leyen has attracted flak from the French and German governments, and from within the European Parliament (important, as the EP has the power to sack the Commission) for an outline trade agreement that appeared to offer major concessions to the US.

Her underlying problem is that EU Member States were divided about the wisdom of ‘tit for tat’ trade sanctions against the US, and the Commission itself had failed to work out a strategic approach to handling Trump’s demands over trade. Von der Leyen could not be confident that, had she faced Trump down, she could have relied on the European Council to back effective countermeasures.

Like the UK’s “trade deal” with the US, the US/EU compromise is a heads of agreement. It is not a formal treaty, and it has no legal force.

It is too early to be certain whether the UK or the EU has obtained the better deal. For example, Brussels has settled for a base US tariff rate of 15% rather than the UK’s 10% deal. But it is unclear whether that 15% is in addition to MFN tariffs or represents an overall tariff ceiling. Likewise, the UK’s automotive deal with the US is subject to a quota for the preferential rate, while the EU has agreed a higher tariff but without a quota. A reasonable verdict would be that both the UK and EU have settled for a relatively poor deal from the US and did so for fear that a rancorous relationship over trade would risk continuing US support for Ukraine and harm European security and defence interests. A number of reports of the US/EU negotiations suggested that US trade negotiators had “weaponised” America’s security guarantees to Europe as a means to strengthen Trump’s hand.

The UK and EU deals depend on Trump personally continuing to stand by the agreements he has made. Trump has used Executive Orders to impose tariffs and will want to use the same instruments to provide for any exemptions or derogations.

The experience of Canada and Mexico shows that even a properly signed and ratified treaty is no obstacle to this President deciding that he wants to rip it up and demand something better.

Trump’s treatment of Brazil, threatening punitive tariffs unless the prosecution of former president Bolsonaro for allegedly planning a coup, has shown that political as well as economic motives can shape US trade policy. Unless and until European countries have organised themselves to deter aggressors and defend themselves without relying almost immediately on the US, they will continue to calculate that it is better to flatter and conciliate Trump than take him on.

Questions?
Get in touch with
the team.

General enquiries:

john.rowland@h-advisors.global

h-advisors.global