# UK businesses shift focus to US, China and Australia amid EU growth stagnation



As UK businesses navigate a challenging economic landscape, many are increasingly looking beyond the European Union for growth opportunities. Recent findings from Santander reveal that a significant shift in focus is occurring, with firms prioritising markets such as the United States, China, and Australia. This strategic pivot comes in response to a concerning stagnation within the EU, where major economies like Germany and France are struggling to secure substantial growth. Indeed, Germany’s GDP fell by 0.4% in the first quarter of this year — its economic resilience tested as it narrowly avoided a recession — while France posted a meager growth rate of just 0.1% following a slight contraction.

Chancellor Rachel Reeves has suggested a nuanced perspective on trade relations, emphasising the ongoing importance of the EU as a trading partner. Nonetheless, the data indicates a notable decline in UK trade with Europe, as evidenced by the fall of Ireland and Italy from the top ten export destinations for the first time since 2022. This trend suggests that UK firms are reassessing their traditional trade alliances in light of shifting global dynamics.

The United States remains a critical market for UK exports, ranking as the second most significant trading partner despite rising tensions. According to Santander's spring trade barometer, 54% of UK companies view the US as a key export destination, slightly behind Germany at 55%. These figures highlight the ongoing relevance of the US in trade discussions, especially following the recent signing of tariffs during what has been termed "liberation day."

However, the trade deal with the US has not been without its detractors. Critics note that the agreement imposes a 10% tariff on most British exports, undermining the anticipated benefits and creating complexities for sectors such as automotive and pharmaceuticals. Bentley's CEO, Frank-Steffen Walliser, expressed particular concern over the implications for American sales, pointing to uncertainties about the mechanics of the agreement, including a cap that limits lower tariffs on exported vehicles. The ambiguity surrounding the operational details is causing hesitancy among potential buyers, stall purchases, and complicating pricing strategies.

Meanwhile, the ramifications of the deal are being felt beyond UK borders. China has voiced criticism of the agreement, describing certain clauses as “poison pills” and warning that they could marginalise Chinese products from British supply chains. The Chinese Foreign Ministry reiterated the importance of maintaining an inclusive international trade framework, free from agreements that might endanger its economic interests. This tension underscores the broader geopolitical challenges present in global commerce, especially as alliances shift in a rapidly changing landscape.

Ultimately, as UK firms recalibrate their strategies in light of domestic challenges and external pressures, there is an urgent need for clarity and support in navigating international markets. Jane Galvin of Santander UK highlighted the pressing necessity for businesses to identify appropriate partners and strategies for international expansion, particularly in markets that appear ripe for investment amid declining activity with traditional European partners. As this trade evolution continues, the interplay of economic conditions, regulatory frameworks, and geopolitical tensions will undoubtedly shape the future of UK trade, compelling businesses to adapt and innovate in pursuit of growth.

### Reference Map

1. Paragraphs 1, 2, 3, 4
2. Paragraphs 2, 4
3. Paragraph 5
4. Paragraph 6
5. Paragraph 5
6. Paragraph 4
7. Paragraph 4

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

## Bibliography

1. <https://www.telegraph.co.uk/business/2025/05/13/trump-trade-war-china-us-tariffs-boeing-ftse-100-markets/> - Please view link - unable to able to access data
2. <https://www.reuters.com/business/forget-trump-uk-deal-with-eu-is-what-matters-klement-2025-05-13/> - This article discusses the limited benefits of the recent U.S.-UK trade deal, which maintains a 10% tariff on most British exports. It emphasizes the importance of a renewed trade and regulatory relationship with the European Union, highlighting that UK exports to the EU currently outweigh those to the U.S. by a factor of three. The piece also explores potential economic growth through regulatory alignment and defense cooperation between the UK and the EU.
3. <https://www.ft.com/content/52f7be1c-e708-4b01-b486-7f189a52c842> - China has criticized the recent UK-US trade deal, asserting that it undermines Chinese interests by imposing strict security clauses that might exclude Chinese products from British supply chains. The agreement targets sensitive sectors like steel and pharmaceuticals, reducing some US tariffs on UK car and steel exports but retaining a baseline 10% levy. Beijing denounced such clauses as 'poison pills,' warning other countries against participating in trade deals that marginalize China.
4. <https://www.ft.com/content/e78af736-7df5-4d37-bdf9-f2b695cefcef> - Bentley's CEO, Frank-Steffen Walliser, has expressed concerns about the impact of the recent US-UK trade deal on the company's American sales. Uncertainty surrounding key aspects of the deal, such as the operation of a 100,000-vehicle cap for lower tariffs, has led to hesitation among US buyers, stalling purchases. The deal reduces tariffs from 27.5% to 10% for the first 100,000 UK-exported vehicles, but operational ambiguities complicate business planning and pricing decisions.
5. <https://www.reuters.com/markets/emerging/china-criticises-uk-trade-deal-with-us-ft-reports-2025-05-13/> - China has criticized a recent trade agreement between the United Kingdom and the United States, expressing concerns that the deal could lead to the exclusion of Chinese products from British supply chains. The Chinese foreign ministry emphasized that international agreements should not target third countries or harm their interests, underscoring China's unease about potentially being sidelined in global trade dynamics due to bilateral agreements involving major economies like the U.S. and the U.K.
6. <https://www.ft.com/content/bcf501c7-9c7f-40ed-8da2-be6fb769a106> - In March, the U.S. imported a record $53 billion in pharmaceutical and medical products, driven by fears that tariffs could soon be imposed on the sector as President Donald Trump expanded his trade policy agenda. Imports surged 160% compared to March 2024, with Ireland contributing over half ($28 billion) of the total, due to its role as a major production hub for U.S. pharmaceutical companies. While tariffs on pharma products haven't been enacted, a national security review and the President's calls for European countries to pay more for drugs have heightened concern.
7. <https://www.ft.com/content/74ffd683-17a9-4b68-87f8-7e753132c055> - The FT Tech Tonic podcast episode 'Future Weapons – Tomorrow's Technology' explores evolving defense technologies and their geopolitical implications. Host John Thornhill and a panel of FT journalists examine how modern conflicts, especially the war in Ukraine, are spurring innovations in defense, with significant increases in investments in drones, robotics, sensors, AI, and laser weapons. Compared to traditional defense corporations, new start-ups like Anduril and Palantir are advancing rapidly, often outperforming incumbents in agility and digital integration.