# UK businesses accelerate shift from EU to US, China and India amid economic slowdown



Amidst a backdrop of economic uncertainty within the European Union, UK businesses are increasingly shifting their focus towards markets beyond Europe, particularly to China, the United States, and Australia. This strategic pivot comes as signs of stagnation in several EU economies become pronounced; Germany, for instance, reported a GDP decline of 0.4% in the first quarter compared to the previous year, narrowly avoiding a recession. Meanwhile, France's economic growth hovered at a mere 0.1%, following a contraction of 0.1% at the end of 2024.

According to the latest report from Santander, the cold economic wind blowing through the EU has led to Ireland and Italy dropping out of the top ten export destinations for UK goods for the first time since 2022. With 54% of UK businesses now identifying the US as a top export market, the importance of transatlantic relations remains significant, despite the backdrop of escalating trade tensions. Symbolically, the UK recently became the first nation to enact a trade agreement with the US, following the "liberation day" tariffs that the government announced last month.

Jane Galvin of Santander UK underscored the urgency for businesses to unlock growth opportunities internationally, noting that this pursuit is increasingly critical amid domestic challenges. She commented, “There is a real urgency for companies to tap into international markets, despite the more difficult and often unpredictable global landscape.” As the trade landscape shifts, the inclinations of British companies are tilting towards regions with potentially more substantial growth prospects.

Despite proactive measures to strengthen global trade ties, there are discussions regarding the importance of the EU as a trading partner. In recent remarks, Chancellor Rachel Reeves suggested that Europe remains “arguably more important” to the UK economy than the US. This is underscored by the fact that current UK exports to the EU outstrip those to the US by a factor of three, with imports from Europe being six times higher than those from the US. This dynamic illustrates the intricate balance the UK must navigate as it seeks to bolster trade relations across various fronts.

In another significant development, the UK has finalised a strategic Free Trade Agreement (FTA) with India, marking a notable achievement after three years of negotiations. This agreement is set to eliminate tariffs on 99% of Indian exports to the UK, while UK goods will enjoy up to a 90% reduction in tariffs, showcasing a growing appetite for diversifying trade relationships further afield.

The criticism directed at the EU has intensified in light of recent comments from US Treasury Secretary Scott Bessent, who indicated that economic negotiations with Europe are progressing “a bit slower” than those with other partners. This notion reflects ongoing challenges within the EU, including fragmented capital markets that impede innovation and investment. Entrepreneurs are seeking funding opportunities, often turning their sights towards the US as a more viable option due to the complex regulatory landscape and limited risk appetite among European investors.

The necessity for reform within the EU's capital markets is becoming increasingly urgent if Europe is to mitigate the risk of capital flight and retain its competitive edge in innovation and technology. As the European Commission continues to push for a more integrated financial framework, the success of the effort remains to be seen, especially as political resistance may hinder progress.

Efforts to bolster trade relations are not limited to the UK and EU — international players like Switzerland have also emerged prominently in the trade dialogue, notably positioning themselves as attractive partners for the US following extensive trade negotiations held amid a supportive diplomatic environment. The successes of these negotiations highlight the evolving landscape of global trade, where countries keen on facilitating effective partnerships are gaining advantages.

As the UK guides its economic strategies through these turbulent waters, the choices made today will be critical in shaping tomorrow’s trading landscape. The transition towards non-EU markets, combined with potential deeper ties with countries such as India and the prospects for renewed relationships with the US, suggests a period of adjustment and opportunity for British businesses.

### Reference Map

1. Paragraph 1: Sources (1), (4)
2. Paragraph 2: Sources (1), (4)
3. Paragraph 3: Sources (1), (4)
4. Paragraph 4: Sources (2), (4)
5. Paragraph 5: Sources (3), (4)
6. Paragraph 6: Source (6)
7. Paragraph 7: Sources (3), (5)
8. Paragraph 8: Source (2)
9. Paragraph 9: Source (6)
10. Paragraph 10: Source (2)

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

## Bibliography

* <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
* <https://www.ft.com/content/e34fecb6-5b9c-452b-a80b-16768aa97eda> - India and the UK have finalized a strategic Free Trade Agreement (FTA) after three years of negotiations. The agreement eliminates tariffs on 99% of Indian exports to the UK, while the UK will see a 90% tariff reduction for goods exported to India, with most becoming tariff-free within a decade. Key sectors benefiting include Indian textiles, footwear, and gems, while the UK gains access to Indian markets for items like chocolates and cosmetics. Notably, tariffs on automotive goods were reduced from 100% to 10%, benefiting companies like Tata Motors but raising concerns about competition from Chinese automobiles.
* <https://www.ft.com/content/e23117c0-3fe6-4b89-b1fc-c99f49976dc0> - Europe is grappling with underdeveloped and fragmented capital markets, hindering its ability to support innovation and retain successful companies. Entrepreneurs like Markus Villig of Bolt cite limited risk appetite among European investors, pushing firms to seek US funding and listings. Despite high savings rates, Europeans invest conservatively, largely eschewing equities. The European Commission has relaunched its capital markets union (CMU) as the 'savings and investments union,' aiming to mobilize household savings, harmonize insolvency and tax laws, and improve access to capital. Persistent challenges include complex regulation, lack of a unified legal framework, and limited central supervision. Comparisons with the US highlight Europe’s disjointed system and greater reliance on bank funding. Countries like Sweden exemplify successful investment cultures driven by financial literacy and public engagement. To spur change, the EU is promoting pan-European products, revisiting securitization regulations, and expanding supervisory powers. Yet political resistance and national interests remain key obstacles. Without swift, cohesive reform, Europe risks continued talent and capital flight, undermining its global competitiveness in tech, innovation, and economic growth.
* <https://www.reuters.com/business/forget-trump-uk-deal-with-eu-is-what-matters-klement-2025-05-13/> - The recent U.S.-UK trade deal, which maintains a 10% tariff on most British exports, offers limited benefit for the UK and is overshadowed by the much more consequential potential of a renewed trade and regulatory relationship with the European Union. UK exports to the EU currently outweigh those to the U.S. by a factor of three, and imports from the EU are six times those from the U.S. As the UK and EU prepare for a summit, there is hope for greater integration, particularly through regulatory alignment. Aligning UK regulations with EU standards could boost UK exports by 2.2% to 3.3% and raise GDP by up to 2%. A new UK bill could streamline this alignment without additional legislation. Defence cooperation is also on the table, with the UK aiming to participate in the EU's €800 billion 'Readiness 2030' program, potentially benefiting firms like BAE Systems and Rolls-Royce. While political and financial challenges persist, this renewed cooperation could mark a turning point in EU-UK relations and help mitigate Brexit's economic impacts.
* <https://www.ft.com/content/2a781235-ad89-4aaf-a55f-c4863ba060c1> - The European Union is intensifying efforts to expand its sanctions on Russia, with ambassadors from the 27 member states set to approve the 17th sanctions package targeting Moscow’s energy and financial sectors. This move is part of a broader strategy to pressure the Kremlin into accepting a 30-day ceasefire in its war against Ukraine. If Hungary blocks the July renewal of existing sanctions, Brussels is considering capital controls and trade tariffs as alternatives. The urgency is spurred by potential new U.S. sanctions, as a more assertive U.S. stance could empower the EU to act more decisively, potentially sidelining opposition from Hungary. Separately, the EU is advancing a proposal to consolidate its digital infrastructure under a model inspired by Airbus. The aim is to reduce dependence on American technology by pooling public-private funding to boost in-house capabilities in fields such as AI, semiconductors, and quantum computing. This initiative would incorporate companies like ASML, ARM, STMicroelectronics, and Siemens to build an autonomous European digital ecosystem, enhancing tech sovereignty and protecting critical infrastructure. The EU's strategic actions on both fronts underscore its commitment to geopolitical resilience and technological independence.
* <https://www.reuters.com/world/china/flawless-host-switzerland-glides-past-eu-next-us-trade-deal-trump-aides-say-2025-05-12/> - Switzerland has emerged as a leading candidate for the next U.S. trade deal, surpassing the European Union, according to U.S. Treasury Secretary Scott Bessent. This development follows Switzerland’s successful hosting of pivotal U.S.-China trade negotiations in Geneva, which impressed American officials with the country's diplomatic finesse and hospitable environment. Prior to the talks, Swiss representatives negotiated with Bessent and Chinese Vice Premier He Lifeng to address Switzerland’s concerns over America’s recent imposition of a 31% tariff—higher than those imposed on the EU and the UK. In response, Swiss corporations vowed significant investments in the U.S. market. The UK has also secured a limited trade deal with the Trump administration, while the EU remains resistant, contemplating countermeasures. Switzerland’s effective role as a neutral mediator has been widely praised by both U.S. and Chinese officials, highlighting its potential to serve as a bridge-builder in international disputes. The intimate and picturesque setting of the Geneva talks played a crucial role in facilitating the successful outcome.
* <https://www.cnbc.com/2025/03/07/united-states-treasury-secretary-scott-bessent-speaks-with-cnbcs-squawk-box-today.html> - Treasury Secretary Scott Bessent discussed President Trump's tariff policy, emphasizing the need to make free trade fair trade due to global imbalances. He highlighted the focus on tariff and non-tariff barriers, currency manipulation, government subsidies, and fines imposed by the EU on U.S. tech companies. Bessent mentioned that the administration plans to evaluate these factors and provide trading partners an opportunity to remedy unfair trade practices, potentially leading to reduced tariffs. He also noted that the U.S. is considering reciprocal tariffs, which could either lead to increased tariffs or the removal of existing ones, depending on the actions of trading partners.