# Merck’s withdrawal exposes UK's slow pace in attracting pharma investments amid policy concerns



American pharmaceutical giant Merck has decisively withdrawn plans for a £1 billion drug research centre in London’s King's Cross, citing that Britain is “not internationally competitive.” This cancellation, announced recently, marks a significant setback for the UK’s life sciences ambitions and will result in the loss of around 125 scientific and support jobs. Merck, operating in the UK under the name MSD, indicated that its decision stems from the UK government's failure to adequately invest in the life sciences sector and to properly value innovative medicines and vaccines, choosing instead to relocate this research activity to the United States.

The decision underscores broader concerns within the British pharmaceutical industry about the country’s shrinking appeal for foreign investment. The Association of the British Pharmaceutical Industry (ABPI), which released a critical report alongside consultancy PwC, highlights that Britain has plummeted in global rankings for medical research investment—from second place in 2017 down to seventh in 2023. Despite being a world leader in research and education, the UK allocates just 9% of its healthcare spending to medicine development, lagging significantly behind countries like Japan and the US, where the figures stand at 20% and 15% respectively.

This downward trend in investment is aggravated by fraught relations between drug manufacturers and the UK government over the National Health Service’s (NHS) rebate scheme. Under this scheme, pharmaceutical companies must return 23.5% of revenue generated from NHS drug sales—an unusually high “clawback” rate that industry executives argue is pricing the UK out of the market in global boardrooms. Sanofi’s Rippon Ubhi expressed in a statement that this high clawback rate, coupled with restrictive patient access to new drugs, is causing the UK to be viewed as “uninvestable.”

Merck’s announcement to scrap the London centre was further described as reflecting a broader U.S. investment strategy rather than being directly linked to recent NHS drug-pricing negotiations, although tensions remain elevated. The firm warned that unless the UK improves its operating environment—including government support and valuation of innovative medicines—more companies are likely to make similar decisions to withdraw or scale back investments.

The government’s ambitions to develop the UK as a life sciences powerhouse by 2030 and beyond now face a stark challenge. The ABPI cautions that without substantial commitment to increased investment in new medicines, these goals will remain out of reach. The sector’s struggles are reflected in the UK losing an estimated £15 billion a year to more attractive overseas markets, with significant declines in the UK’s share of the global clinical trials market.

This development compounds recent signals of waning confidence from major British and international industries. It follows similar announcements, such as Sir Jim Ratcliffe’s Ineos chemicals firm halting further investment in the UK, and comments from former Marks & Spencer boss Stuart Rose warning that the country’s economic trajectory is nearing a crisis point under the current administration.

In response to Merck's latest move, ABPI chief executive Richard Torbett described it as “a real blow to the UK's life sciences ambitions” but urged that it should serve as a crucial moment to reflect on what is driving companies away. The pharmaceutical sector’s warning highlights the urgent need for policy reforms if the UK is to maintain its historical leadership in science and innovation and remain an attractive destination for global pharmaceutical investment.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.dailymail.co.uk/news/article-15086399/US-drugs-giant-pulls-plug-research-centre-London.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://www.reuters.com/business/healthcare-pharmaceuticals/merck-scrap-london-drug-research-centre-2025-09-10/), [[3]](https://www.ft.com/content/5ace49a8-47ab-409d-8909-6edb107ce71a)
* Paragraph 2 – [[1]](https://www.dailymail.co.uk/news/article-15086399/US-drugs-giant-pulls-plug-research-centre-London.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[4]](https://www.reuters.com/business/healthcare-pharmaceuticals/british-pharma-industry-says-drug-pricing-stance-hurts-foreign-investment-2025-09-10/), [[5]](https://www.soci.org/news/2025/3/uk-economy-losing-out-on-15-billion-a-year-as-life-sciences-investments-shift-overseas)
* Paragraph 3 – [[1]](https://www.dailymail.co.uk/news/article-15086399/US-drugs-giant-pulls-plug-research-centre-London.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[4]](https://www.reuters.com/business/healthcare-pharmaceuticals/british-pharma-industry-says-drug-pricing-stance-hurts-foreign-investment-2025-09-10/)
* Paragraph 4 – [[2]](https://www.reuters.com/business/healthcare-pharmaceuticals/merck-scrap-london-drug-research-centre-2025-09-10/), [[3]](https://www.ft.com/content/5ace49a8-47ab-409d-8909-6edb107ce71a)
* Paragraph 5 – [[6]](https://www.abpi.org.uk/media/news/2025/july/uk-life-sciences-plan-falls-short-says-abpi/), [[5]](https://www.soci.org/news/2025/3/uk-economy-losing-out-on-15-billion-a-year-as-life-sciences-investments-shift-overseas)
* Paragraph 6 – [[1]](https://www.dailymail.co.uk/news/article-15086399/US-drugs-giant-pulls-plug-research-centre-London.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[4]](https://www.reuters.com/business/healthcare-pharmaceuticals/british-pharma-industry-says-drug-pricing-stance-hurts-foreign-investment-2025-09-10/), [[6]](https://www.abpi.org.uk/media/news/2025/july/uk-life-sciences-plan-falls-short-says-abpi/)

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

## Bibliography

1. <https://www.dailymail.co.uk/news/article-15086399/US-drugs-giant-pulls-plug-research-centre-London.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://www.reuters.com/business/healthcare-pharmaceuticals/merck-scrap-london-drug-research-centre-2025-09-10/> - Merck has announced the cancellation of its £1 billion drug research centre in London's King's Cross, citing the UK's unfavourable business climate and insufficient government support for life sciences. The decision will affect approximately 125 staff members, with research activities being moved primarily to the United States. Merck criticised the UK government for undervaluing innovative medicines and lacking investment in the sector. This move aligns with Merck's broader U.S. investment strategy, which includes several major projects. ([reuters.com](https://www.reuters.com/business/healthcare-pharmaceuticals/merck-scrap-london-drug-research-centre-2025-09-10/?utm_source=openai))
3. <https://www.ft.com/content/5ace49a8-47ab-409d-8909-6edb107ce71a> - U.S. pharmaceutical giant Merck (known as MSD in Europe) has cancelled plans for a £1 billion research centre in London's King's Cross, resulting in the layoff of 125 scientific and support staff. The decision is a significant setback for the UK government, which has prioritised life sciences as a key sector for economic growth. Merck cited the UK's lack of international competitiveness as a major factor and stated its decision was unrelated to recent failed drug-pricing negotiations with the National Health Service (NHS). However, tensions between the UK health secretary and the pharmaceutical sector remain high, particularly following a surge in the NHS clawback tax on drug sales. ([ft.com](https://www.ft.com/content/5ace49a8-47ab-409d-8909-6edb107ce71a?utm_source=openai))
4. <https://www.reuters.com/business/healthcare-pharmaceuticals/british-pharma-industry-says-drug-pricing-stance-hurts-foreign-investment-2025-09-10/> - The Association of the British Pharmaceutical Industry (ABPI) has voiced concerns about declining foreign investment in the UK's pharmaceutical sector due to the government's drug pricing policies. Ongoing disputes between drug manufacturers and the UK government over how much revenue must be returned to the National Health Service (NHS) remain unresolved, with negotiations breaking down the previous month. The ABPI warned that these high "clawback rates" are deterring investment and threatening innovation, noting that the UK's foreign direct investment ranking in the sector fell from second place in 2017 to seventh in 2023. Several pharmaceutical executives criticised the government's stance, suggesting the UK is becoming less attractive for industry investment. ([reuters.com](https://www.reuters.com/business/healthcare-pharmaceuticals/british-pharma-industry-says-drug-pricing-stance-hurts-foreign-investment-2025-09-10/?utm_source=openai))
5. <https://www.soci.org/news/2025/3/uk-economy-losing-out-on-15-billion-a-year-as-life-sciences-investments-shift-overseas> - Billions of pounds of growth in the UK's life sciences sector are lost each year to more attractive overseas markets, according to the UK's leading science and innovation charity. A new report highlights that a lack of investment in the sector has impeded the UK's ability to translate its immense research potential into commercial reality. This has cost the UK nearly £15 billion per annum over the last decade amidst an exodus of valuable research and intellectual property to more competitive global markets. The report also notes that the UK's share of the global clinical trials market has declined markedly, from a peak of approximately 11% to around 8% today. ([soci.org](https://www.soci.org/news/2025/3/uk-economy-losing-out-on-15-billion-a-year-as-life-sciences-investments-shift-overseas?utm_source=openai))
6. <https://www.abpi.org.uk/media/news/2025/july/uk-life-sciences-plan-falls-short-says-abpi/> - The Association of the British Pharmaceutical Industry (ABPI) is warning that the core ambition of the government's new life sciences strategy will not be realised unless it makes a real commitment to invest more in new medicines. The government's aim is for the UK to be, by 2030, the leading life sciences economy in Europe, and by 2035, the third most important life sciences economy globally after the US and China. However, the ABPI argues that this ambition will not be realised unless the UK changes its approach to investment in medicines. ([abpi.org.uk](https://www.abpi.org.uk/media/news/2025/july/uk-life-sciences-plan-falls-short-says-abpi/?utm_source=openai))