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UK Trade Strategy Briefing June 2025

Executive Summary

The UK's Trade Strategy, presented to Parliament in June 2025, outlines a pragmatic and strategic approach to navigate a rapidly changing global trading landscape marked by geopolitical, geoeconomic, and technological disruptions. The strategy emphasizes the UK's commitment to remaining an open trading nation while adapting to a more protectionist global mood.

Key themes include fostering strategic partnerships, supporting businesses through a diversified trade policy toolkit, ensuring secure and resilient trade, and promoting accountable trade practices. The strategy aims to leverage the UK's strengths, particularly in services and growth-driving industrial sectors, to boost economic growth, create jobs, and enhance national security.

Main Themes and Key Ideas/Facts

1. Adapting to a Changing Global Trading Context

The world is experiencing significant shifts, moving from an era of convergence and multilateral integration to one of divergence and fractured power centres.

- "The world is changing. Geopolitical, geoeconomic and technological shocks are reshaping the international order." The strategy acknowledges that the UK must respond to this "moment of tumult" with "pragmatic patriotism."
- Resurgent Protectionism: "Resurgent protectionism is disrupting that truth. We are witnessing divergence after decades of convergence." This trend challenges traditional multilateral negotiations and universal rules.
- Fractured Globe: The strategy notes that a "generation ago, a survey of the outlook for trade might have begun with multilateral bodies, such as the World Trade Organisation... But we need to start with the realities of the changed world we are dealing with today – no longer a planet of ever-deepening integration, but a newly fractured globe, defined by rival power centres."
- Major Trading Partners: The UK rejects the notion of choosing between the "world's 'big three' economies" (EU, US, China), as they represent a significant portion (69%) of the UK's global trade (£1.2 trillion in 2024).
- WTO Reform: The UK is committed to supporting the WTO in transforming itself to address modern challenges, advocating for new rules, efficient dispute resolution, transparency, and engendering confidence among members.

2. Strategic Trading Partnerships

The strategy emphasises a "new and more strategic approach" to trade, focusing on "smartest trading partnerships" and a diversified "trade policy toolkit."

- Categorisation of Partners: Global Pillars: EU, US, India, China – requiring "detailed, bespoke and sustained policy attention."
- Regional Hubs: Markets playing pivotal regional roles, e.g., Saudi Arabia, South Africa, Brazil, Japan, Germany, Turkey.
- Established, Influential and Growing Importers: Markets with existing good ties or scope for improvement, e.g., Australia, many EU member states, South Korea, Singapore.
- Emerging Markets: Fast-growing economies where the UK currently underperforms, e.g., Bangladesh, Indonesia.
- Key Agreements and Deals: UK-India Free Trade Agreement: Highlighted as a "big win" and a powerful example of FTAs.
- US-UK Economic Deal: Described as a "slightly different form of deal, the opening of a conversation rather than its conclusion," focusing on "more obvious areas of mutual economic agreement."
- Strategic Partnership with the European Union: "Delivering for the British people, and reducing red tape at the border for British businesses." Recent summit agreements include Sanitary and Phytosanitary agreement for agri-foods, linking Emissions Trade Systems, and exploring energy cooperation.
- Digital Trade Agreements (DTAs): Seen as a quicker way to achieve results, particularly in booming digital sales and services. The UK has initiated dialogues with Brazil, Thailand, Kenya, and Malaysia and acceded to the Digital Economy Partnership Agreement (DEPA). The UK-Ukraine DTA is cited as an "innovative, digital-specific trade agreement."
- Mutual Recognition Agreements (MRAs) and Mutual Recognition of Professional Qualifications (MRPQs): Critical for overcoming beyond-border barriers in regulated sectors like Life Sciences and Advanced Manufacturing. The UK has existing MRAs with several countries and is exploring new ones with Brazil and Thailand, and building on existing MRAs with the US.
- Diversified Toolkit: Moving beyond a sole focus on comprehensive FTAs, the strategy advocates for a wider range of tools, including DTAs and sector-specific agreements, to "seize opportunities that promise growth in the short to medium term."

3. Supporting Business to Trade and Grow

The strategy aims to create a "pro-growth UK business environment" by leveraging trade levers and targeting high-growth sectors.

- UK's Economic Strengths: The UK is the sixth-largest economy, with total trade equivalent to 60% of GDP in 2024. Growth-Driving Sectors (Industrial Strategy): The strategy explicitly states that trade levers will be "tilted to support the growth-driving Industrial Strategy sectors." These eight sectors are: Advanced Manufacturing, Clean Energy Industries, Creative Industries, Defence, Digital and Technologies, Financial Services, Life Sciences, and Professional and Business Services. Services Superpower: "The future looks especially bright for the UK as a services superpower." Services are expected to account for over a quarter of global trade by 2035.
- Goods Exporting Edge: Despite services' growing importance, goods remain significant, constituting 42% of UK exports in 2024. The strategy notes the "interdependency" between goods and services, as services like design and marketing can "piggy-back on a robust trade in goods."
- Intellectual Property (IP): Protecting UK IP in international markets is crucial given the £200 billion invested in knowledge assets in 2022.
- Removing Non-Tariff Barriers: A top priority. In the second half of 2024, 51 barriers were resolved, making it easier for UK lawyers in Japan, pharmaceutical businesses in Egypt, and architects in Hong Kong.
- Ricardo Fund: A new fund named after David Ricardo, building on the successful Regulatory Partnerships for Growth Fund pilot, will provide increased support to UK regulators and overseas trade teams to remove regulatory barriers, with an expected unlock of £5bn in export opportunities over five years.
- UK Export Finance (UKEF): UKEF's capacity has been increased by £20bn to £80bn to "drive export-led growth." It supports UK exporters, creates demand for UK goods by financing overseas buyers, and attracts inward investment. UKEF aims to support £12.5bn of export contracts by 2029 and £10bn of clean growth finance by 2029.
- Commercial Diplomacy: The strategy aims to make the efforts of UK Overseas Networks more "effective and agile," prioritising markets with the greatest opportunities and focusing on growth-driving sectors and businesses with significant economic value.

4. Secure and Resilient Trade

Balancing economic openness with national security and resilience is a core component.

- "National security is the foundation of national prosperity." The UK must balance openness with addressing risks and vulnerabilities in global supply chains and foreign investments.
- Economic Tools for National Security: Investment Screening (NSI Act), Export Controls, Sanctions, Procurement Security (Procurement Act 2023), and Working with Businesses (e.g., NCSC, NPSA).
- Trade Defence: The UK is preparing for "assertive responses" to "new threats and unfair trading practices," including "distortionary subsidies and 'dumping' goods at below cost." The government intends to introduce legislation to expand powers to respond to such practices and guard against turbulence in critical sectors like steel.
- Supply Chain Resilience: A new Supply Chain Centre will be established to protect the UK's economy and security. The strategy also highlights the importance of imports for the Net Zero transition (e.g., EV batteries) and the need for a "clearer, more proactive approach to imports."
- Digitalisation: Piloting digital trade processes (e.g., with Taiwan) aims to "cut time, paper and cost," with the London School of Economics estimating global adoption could boost UK GDP by up to 0.9%.

5. Accountable Trade and Wider Objectives

The strategy integrates trade policy with broader national objectives, including climate, sustainability, and regional prosperity.

- Climate Objectives: The UK is committed to clean power by 2030 and Net Zero by 2050, seeing "Clean Energy Industries" as a major growth opportunity (worth £1 trillion to UK businesses 2021-2030). The introduction of a Carbon Border Adjustment Mechanism (CBAM) from 2027 is a key measure.
- Sustainable and Inclusive Growth: The UK will deepen growth and investment partnerships with the Global South, aiming to diversify supply chains and support mutual long-term growth and stability. This includes changes to Rules of Origin for the Developing Countries Trading Scheme (DCTS) to boost trade with developing countries.
- Tackling Corruption: Trade policy is part of a holistic approach to limiting the damage from corruption and illicit finance.
- Regional Prosperity: The strategy explicitly states that "the UK's trade policy needs to respect the interests of all parts of the Kingdom," engaging devolved governments and working with Mayors and Mayoral Strategic Authorities.
- Transparency and Accountability: The government commits to publishing annual details of successes in breaking down market barriers and the expected benefits, ensuring businesses can "shape our endeavours and capitalise on the successes." Criteria for delivery accountability will be set out.
- Data-Driven Policy: "Smart policy starts with the facts." There's an ambition for better sharing of trade data among government analysts, academics, and researchers.

Conclusion

The UK's Trade Strategy 2025 sets a "high ambition" for the nation to "engage with a rapidly changing world, while being resolute about remaining open for business." It acknowledges the "turbulent times" but expresses confidence in the UK's ability to "face the future with self-assurance" by implementing its pragmatic and strategic proposals. The strategy emphasises a multi-faceted approach, moving beyond a singular focus on traditional FTAs to embrace a wider array of tools and partnerships tailored to the UK's economic strengths and the realities of the global landscape.