



## Trade Developments

17 December 2025

Hello and welcome to this edition of Trade Developments.

For more on international trade, check out our [dedicated webpage](#), or [email](#) to enquire about our trade policy briefings.

### UK - South Korea FTA

The UK and South Korea have finalised negotiations on a free trade agreement, building on a continuity agreement carried over when the UK left the EU. The FTA locks in tariff-free access for 98% of tariff lines, securing permanent preferential access for key industries including automotive, pharmaceuticals and food and drink. Updated rules of origin will simplify tariff-free access and increased transparency around customs processes have been agreed to ease compliance requirements on businesses. On services trade, the agreement is expected to deliver a £400 million increase in UK exports, with improved access to South Korea’s financial services sector, which already accounts for over £1.1 billion in UK exports. The deal also strengthens digital trade provisions, including the recognition of electronic contracts, alongside new rules supporting cross-border data flows and limiting data localisation requirements. The government’s announcement can be found [here](#).

### UK-US Pharmaceuticals Deal

A new UK-US agreement on pharmaceuticals has been agreed as part of the Economic Prosperity Deal signed in May. The UK has secured zero percent tariffs on pharmaceuticals, as well as preferential terms for medtech exports, which will also face no tariffs. The agreement protects £6.6bn per year of UK-made drugs exported to the US from high tariffs (which have been threatened but are currently not in force). In return, the UK has committed to reforms to drug pricing, including raising the price threshold at which it deems new treatments to be too expensive, by 25 percent. The UK will also increase the overall amount the NHS spends on medicines and will reduce the rebate drug companies must pay back to the NHS from up to 35.6% to 15%, bringing the UK more closely in line with European peers. The government’s announcement can be found [here](#).

### UK to rejoin Erasmus+ Scheme

The UK has agreed terms with the EU to rejoin the Erasmus+ scheme from 2027, achieving one of the objectives agreed at the UK-EU summit in May 2025. Under the arrangement, UK students, apprentices, adult learners and staff working in education and sports sector will be eligible to take part in study, work placements and exchange opportunities in EU countries. The UK left the Erasmus+ scheme from 2021 as a result of its withdrawal from the EU. The UK will contribute approximately £570 million for access to the scheme, which according to the government is 30% less than the default terms set out under the UK-EU Trade and Cooperation Agreement. In the same announcement, the government also confirmed that negotiations will take place for the UK to participate in the EU’s internal electricity market. The government press release can be found [here](#).

### UK-Turkey FTA

The UK and Turkey held their third round of enhanced Free Trade Agreement negotiations in Ankara during the week of 17 November 2025, advancing efforts to deepen economic ties. With trade worth £28 billion in the year to Q2 2025, Turkey is the UK’s 17th largest trading partner and a key market of 86 million people. Talks made progress on services, goods market access, customs, and regulatory cooperation, alongside areas such as labour, environment, and intellectual property. The next round of negotiations is expected in early 2026, with ministers updating Parliament as discussions continue. The government’s announcement can be found [here](#).

### UK Border - Electronic Travel Authorisation

From 25 February 2026, visitors from 85 visa-exempt nationalities, including the United States, Canada, and France, will need to obtain an Electronic Travel Authorisation (ETA) before travelling to the UK. This marks a major step in digitising the immigration system and supports the government’s vision of a contactless border. Since its launch in October 2023, more than 13 million travellers have already applied for ETAs, which cost £16, via the official UK ETA app. British and Irish citizens remain exempt, but dual nationals are urged to carry valid UK documentation to avoid boarding issues once enforcement begins. The UK government’s factsheet can be found [here](#).

### UK Double Tax Treaties

Since November 2024 the UK has signed new double tax treaties with [Andorra](#), [Peru](#), [Portugal](#) and [Romania](#). The two most recent steps in the UK ratification process for each of these treaties – consideration of the draft statutory instrument by a delegated legislation committee and approval of the draft Order by the House of Commons – took place in early December. One step now remains: the formal making of the Order by the Privy Council. Once the UK and the relevant counterparty country have both completed their domestic ratification procedures, they will need to notify each other accordingly. Each treaty will then enter into force and have effect in line with the provisions in its entry into force article.

### UK Access to SAFE Funding

Press [reports](#) have indicated that talks for the UK to enter into the EU’s €150bn Security Action for Europe (SAFE) have broken down. The UK had been seeking entry to the scheme to give its defence firms a bigger role in European projects, particularly by securing access to low-interest loans and ensuring that British-made components could account for more than the 35% cap normally applied to non-member countries. In return, London had proposed paying an administrative fee, expecting this to be sufficient to cover participation. However, EU officials pushed for a higher entry fee (reportedly up to €6bn) which the UK considered disproportionate and poor value for money. With neither side willing to compromise, the talks stalled just days before the deadline. For businesses, the outcome means UK defence suppliers can still join projects under third-country terms, but without the preferential conditions full membership would have provided.

### UK-India FTA: Committee Inquiry

On Tuesday 2nd December, the House of Commons’ Business and Trade Select Committee held an oral evidence session for its inquiry into ‘UK trade with the US, India and EU’. Deloitte’s Amanda Tickel provided evidence to the Committee on the UK-India FTA, particularly in respect of trade in services. The session highlighted the significant economic opportunity presented by closer ties with India, given the substantial growth in bilateral trade to £43 billion annually, and the deal's importance amidst sustained geopolitical uncertainty. While acknowledging the importance of the agreement, discussions recognised limitations and barriers for services trade. Importantly, the session focused on the path for UK businesses to translate the deal's practical impact into economic activity, with the government playing a crucial role in providing support and unlocking available benefits. Read more in Amanda’s [LinkedIn post](#).

### Why is navigating trade policy essential to building supply chain resilience?

In our latest [insight article](#), Deloitte’s Trade Policy team explore the growing link between trade policy and supply chain resilience. The article sets out how governments are increasingly leveraging trade policy to pursue strategic objectives related to supply chain resilience and what this means for UK businesses. The article also highlights the importance of enhanced supply chain visibility and integrated trade and tax planning in helping business navigate ongoing policy uncertainty.

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