
# REIMAGINING UK–EU TRADE AND COOPERATION

**Empowering Global Trade**

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Independent Economics

CHARTERED INSTITUTE OF EXPORT & INTERNATIONAL TRADE

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# Foreword

International trade is currently undergoing a paradigm shift. Since his return to office, President Trump has begun implementing a forceful and deliberate strategy to reshape and unpick the multilateral trading system.

At the same time, other competing factors continue to create uncertainty across the global economy, including rising US-China competition, international conflicts such as those in Ukraine and the Middle East, and the increasing impact of climate change on supply chains.

The choices taken by leaders around the world have the potential to create a challenging new era of protectionist trade policy, greater capital controls, rising tensions and further conflicts. Economic and political nationalism threaten to further hasten and intensify these conditions, with some seeing the predominant model of globalisation from recent decades as being no longer viable. A middle ground is needed.

The Chartered Institute of Export & International Trade was founded in 1935 against a similar backdrop of rising global tensions, trade protectionism and economic uncertainty. Our mission then was to empower international trade as a solution to these challenges, with a belief that rules-based, legitimate trade drives economic growth and creates prosperity, while fostering social and cultural links and understanding. As we celebrate our 90th year, this seems more relevant and necessary than ever. We will continue to argue for the value of international trade as a force for good in the months and years ahead, giving a new vision on how this can be delivered.

Governments around the world are refocusing their priorities to ensure that national industries and home-grown jobs are at the heart of this globalisation realignment. It is abundantly clear that narrow self-interest alone is not the answer though. The middle ground we argue for is a new form of economic patriotism, where national interests are protected, but with the spirit of international collaboration and partnership maintained. The relationships that governments should pursue need to be those that focus on mutual interests, protecting – rather than exploiting – the domestic industries and jobs of each trading partner.

For the UK, the EU represents such a relationship, and an opportunity. The EU is the UK's closest neighbour and largest trading partner. The two have various shared values, including their

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"mutual commitment to free, sustainable, fair and open trade",[1] but more importantly, they have similar economic challenges and priorities. As we approach a decade after the Brexit referendum, and the five-year anniversary of the post-Brexit trade deal, the UK-EU Trade and Cooperation Agreement, entering force, this partnership is at a critical juncture.

In 2026, a scheduled review of the implementation of this deal offers both sides a chance to consider how to make the most of their shared strategic priorities, to reduce the trade barriers that have emerged since Brexit and to seriously consider what an effective long-term partnership looks like. This review comes shortly after the first UK-EU Leaders' Summit in May 2025, with more such gatherings to follow in the coming years. The summit went a long way in generating new momentum in the relationship, restoring trust and friendship on both sides.

It is essential that both partners grasp this momentum, and the opportunity it offers, to advance common strategic objectives. I am therefore delighted to share this report, which reimagines a UK-EU partnership fit for the new paradigm in global trade, based on mutual interests and objectives, while protecting each party's interests.

*"It is essential that both partners grasp this momentum, and the opportunity it offers, to advance common strategic objectives. I am therefore delighted to share this report, which reimagines a UK-EU partnership."*

**Marco Forgione MCIEx**
Director General – Chartered Institute of Export & International Trade

# Executive summary

The year 2026 will mark a decade since the UK public voted to leave the EU. It will also mark five years having passed since the post-Brexit trade deal – the UK-EU Trade and Cooperation Agreement (TCA) – entered into force. Under the terms of the TCA, this five-year point will see both sides come together to review its future implementation.

This review comes at a significant moment in the post-Brexit relationship, with global trade having become increasingly volatile in the decade since the referendum. This is due to a variety of factors including wars in Ukraine and the Middle East, the after-effects of the pandemic and the protectionist tariff regime introduced by US President Donald Trump.

These conditions have made the UK-EU relationship more important than at any point since 2016. Trade between the two remains largely interlinked, despite the rise in non-tariff barriers that has occurred since the UK's departure from the EU single market and customs union. The two parties also continue to share a range of strategic priorities and challenges.

The 2025 UK-EU Leaders' Summit was a significant moment, generating new momentum in the relationship. The still relatively new Labour government was elected with a manifesto pledge to foster closer ties with the EU, and this has so far been largely welcomed by Brussels.

The summit saw various pledges to enhance cooperation and reduce trade barriers, including significant commitments to create a Common Sanitary and Phytosanitary (SPS) Area and to link Emissions Trading Schemes.

The coming TCA review offers an opportunity to build on this momentum and work towards a reimagined relationship that addresses the challenges that have emerged since Brexit, enabling both sides to meet the new challenges they now face. This report outlines why this moment is so significant for the long-term partnership, and offers both strategic and practical recommendations on how to make the most of this opportunity.







# Recommendations

### 1. Strengthen industrial and trade policy alignment

Establish a UK-EU Industrial Cooperation Council to coordinate strategic investment, innovation and regulatory alignment, and expand the TCA to include a dedicated digital trade chapter.

### 2. Support Northern Ireland's dual market role

Build on the Windsor Framework to enhance trade, energy and mobility links, and position Northern Ireland as a model for UK-EU cooperation.

### 3. Reform rules of origin

Simplify and harmonise product-specific rules, incorporate diagonal cumulation with other shared free trade agreement partners into the TCA, and consider the UK rejoining the Pan-Euro-Mediterranean (PEM) Convention.

### 4. Streamline customs and border procedures

Develop interoperable digital trade corridors to reduce duplication and delays, create a Common Security Zone to reduce administrative burden created by new safety and security requirements, and ensure alignment between measures in the UK Trade Strategy with the EU Customs Reform programme.

### 5. Implement the Common Sanitary and Phytosanitary (SPS) Area

Establish a joint committee to oversee the implementation of the SPS area agreed to at the 2025 summit, and engage with industry to address remaining pain points for cross-border movements of food, animal and plant products.

### 6. Deepen regulatory cooperation

Promote outcome-based equivalence and dynamic alignment in key sectors, secure sector-specific 'side deals' such as a mutual recognition agreement for conformity assessments, and expand cooperation in emerging areas such as AI and digital trade.

### 7. Advance mobility frameworks

Formalise a reciprocal youth mobility scheme and explore UK re-entry into Erasmus+, while accelerating the mutual recognition of professional qualifications in high-impact sectors.

### 8. Implement Emissions Trading Schemes (ETS) linkage

Ensure ETS linkage in order to facilitate alignment between evolving Carbon Border Adjustment Mechanism (CBAM) frameworks, while exploring wider energy policy alignment.

# 1 Resetting the relationship

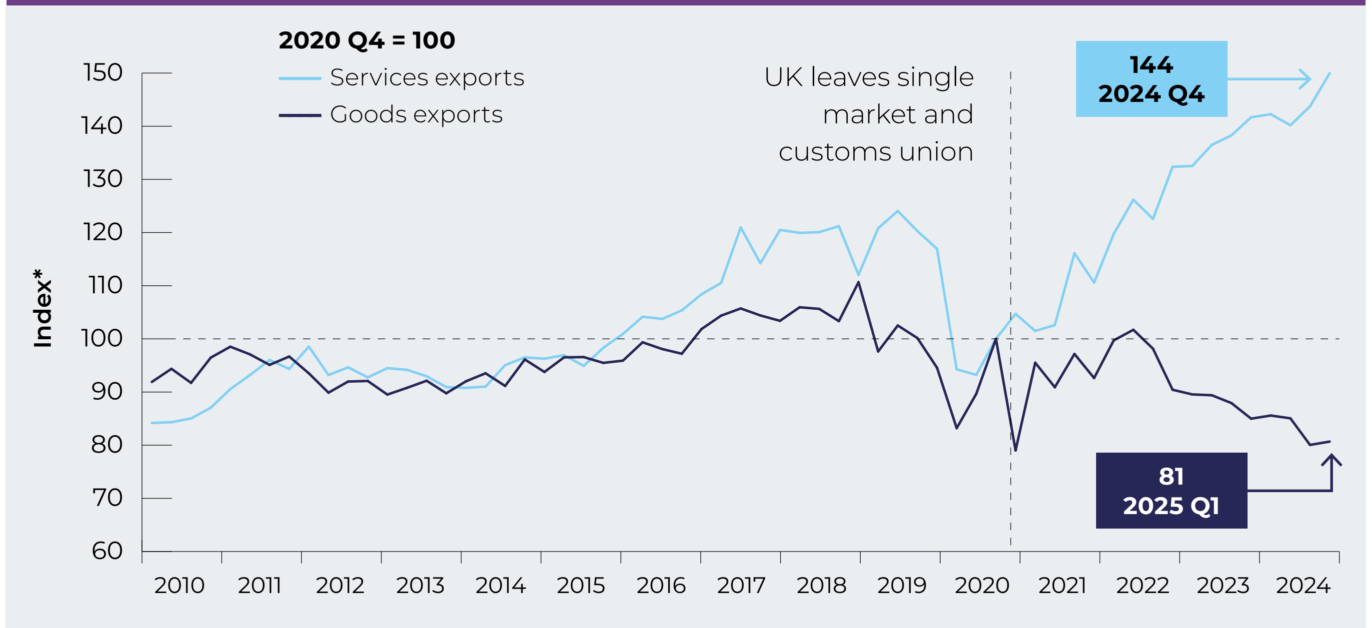
## 1.1 Taking stock: The impact of Brexit so far

The year 2026 will mark the five-year anniversary of the UK-EU Trade and Cooperation Agreement (TCA) entering force. This agreement has provided the legal framework for post-Brexit trade between the UK and EU.

The TCA was negotiated during the transition period, which occurred after the UK formally left the EU at the end of January 2020 and before it left the single market and customs union at the end of the same year. This report's analysis of the impact of these changes draws primarily on the work of the Office for Budgetary Responsibility (OBR), as well as other bodies.

The volume of UK exports and imports is reckoned to be about 15% lower than it would have been had the country not departed the EU. This can largely be accounted for by a decline in goods trade. Before leaving the EU, UK exports of goods and services had been growing broadly in line with each other (Fig. 1). Since then, however, overall goods exports have declined by just over 13% with imports down 7%. Services trade, in contrast, has grown by 14%.[2]

**Figure 1:** Since Brexit, UK goods exports are down and services exports are up




Source: ONS, Independent Economics
*The data are values in pound sterling, indexed to 100 in 2020 Q4

Non-tariff barriers resulting from leaving the single market and customs union are thought to have contributed to this decline in goods trade. In particular, time-consuming, complicated and expensive new paperwork has been introduced for UK businesses now trading with the EU under third country rules. In 2023 alone, there were more than 41 million customs declarations for trade between the UK and the EU.[3] Before the UK's departure from the customs union, none of these declarations needed to be completed.

Small businesses have been hit the hardest, being less equipped to cope with new compliance requirements, including declarations, and their associated costs. An estimated 16,400 UK firms stopped exporting to the EU after the UK left the bloc.[4] The most affected sectors included agrifood, textiles, clothing and material-based manufacturing.[5]

In the UK, SMEs account for 60% of employment and 52% of all business turnover.[6] Today, 12% of SMEs export, up 24% on 2016.[7] In 2023, just under 26% of goods export value was from SMEs,[8] compared to 36% in 2015.[9]

In the EU in 2022, by comparison, EU SMEs represented 98% of exporting companies (both intra- and extra-EU), with SMEs representing 30% of export value.[10] Far fewer EU SMEs export outside of the EU than UK SMEs, despite representing a broadly similar value basis for total exports.

Beyond the EU, the UK regained sovereignty over its trade policy following Brexit, allowing it to negotiate new free trade agreements (FTAs) with non-EU countries. Its first use of this independence was to maintain preferential trading terms with many countries by replicating (or 'rolling over') most of the deals it had previously benefited from as an EU member state. The UK has since signed new bilateral agreements with countries it didn't have deals with as a member of the EU, including India, Australia and New Zealand. It also became the 12th member of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a multilateral pact including 11 Pacific nations such as Japan, Canada and Mexico.

These new FTAs are expected to have a gradual effect on economic growth. In its impact assessments, the UK government found that CPTPP is expected to contribute 0.06% to GDP, while bilateral FTAs with Australia and India are estimated to add 0.08% and 0.13% respectively.[11]

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However, it should be noted that the actual GDP impact of any FTA is only generally measurable at least five years after its implementation, so that long-term investments, supply chain restructuring and market integrations have had sufficient time to have occurred.

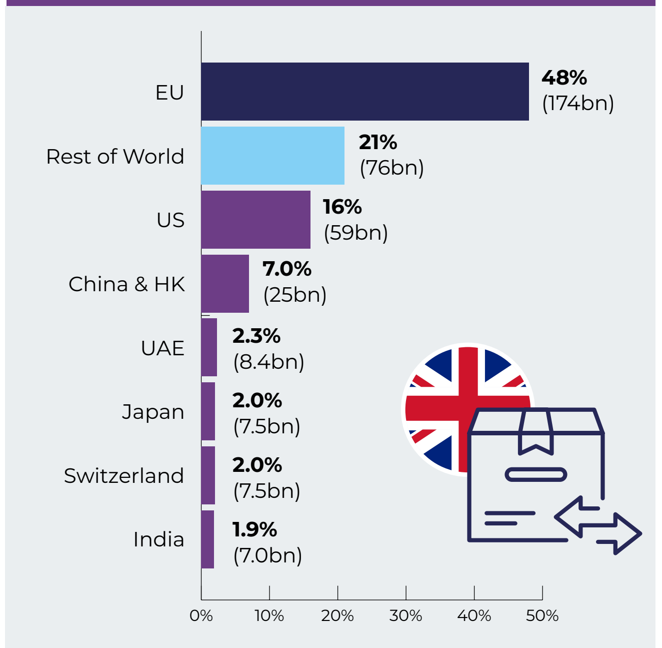
The OBR has nonetheless estimated that the UK will see a long-term overall decrease in trade intensity of around 15% as a result of the UK leaving the EU single market and customs union, with GDP declining by around 4% relative to potential.[12]

And yet, despite this, the UK and EU remain strongly linked through international trade. Taking goods and services together, some 41% of UK exports go to the EU, and 52% of its imports come from the bloc (Fig. 2-5). The UK also remains the EU's second largest destination for both goods and services exports (Fig. 6 and 8), while being its third largest source of goods imports and second largest for services (Fig. 7 and 9). While the relationship is undoubtedly asymmetrical, with the EU accounting for around 14% of the world's international trade in goods,[13] the UK nonetheless remains one of the bloc's largest trading partners.

In addition to the economic impact of departing the EU, the negotiations for the Withdrawal Agreement and the TCA, alongside reaching a post-Brexit settlement for Northern Ireland, have put a strain on relations between London and Brussels. However, as is addressed in the next section, the need to foster a more collaborative UK-EU relationship, based on mutual trust and interdependence, has grown, not shrunk, in the years that have followed the referendum and introduction of the TCA.

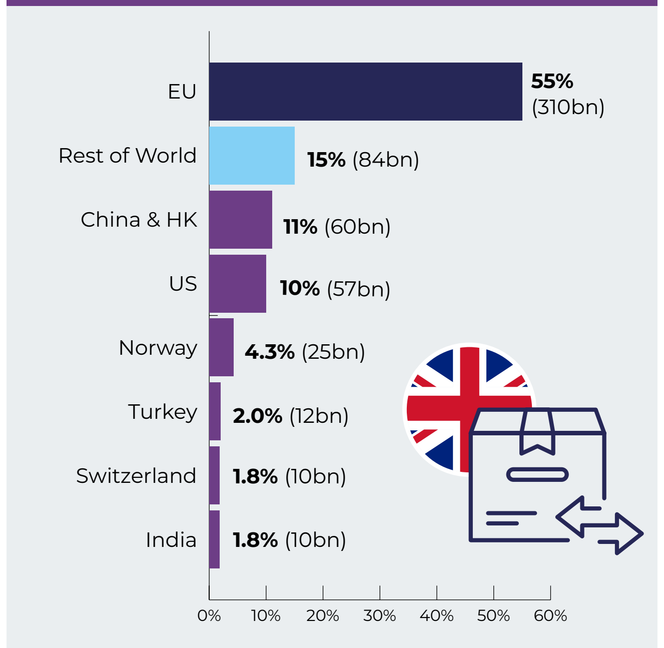
> *"An estimated 16,400 UK firms stopped exporting to the EU after the UK left the bloc. The most affected sectors included agrifood, textiles, clothing and material-based manufacturing."*

**Figure 2:** UK goods exports by destination, 2024



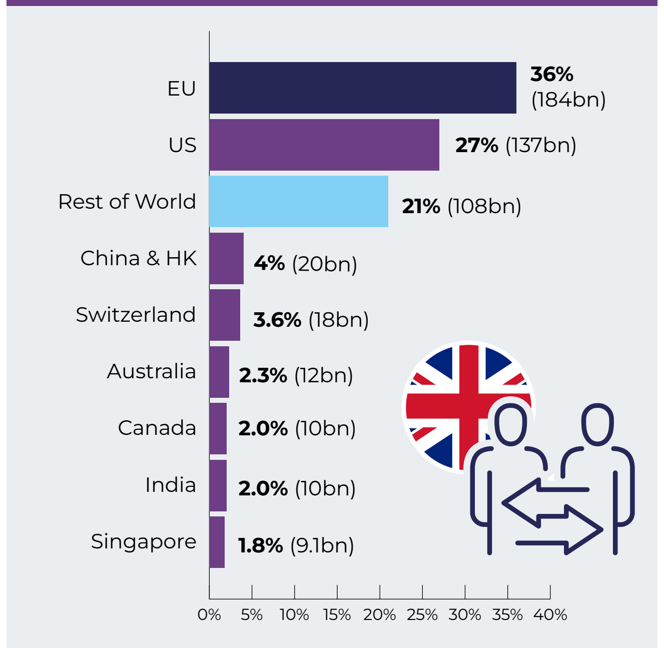

Source: ONS, Independent Economics
Note: The next three largest destinations are Canada, Singapore, and Turkey

**Figure 3:** UK goods imports by origin, 2024



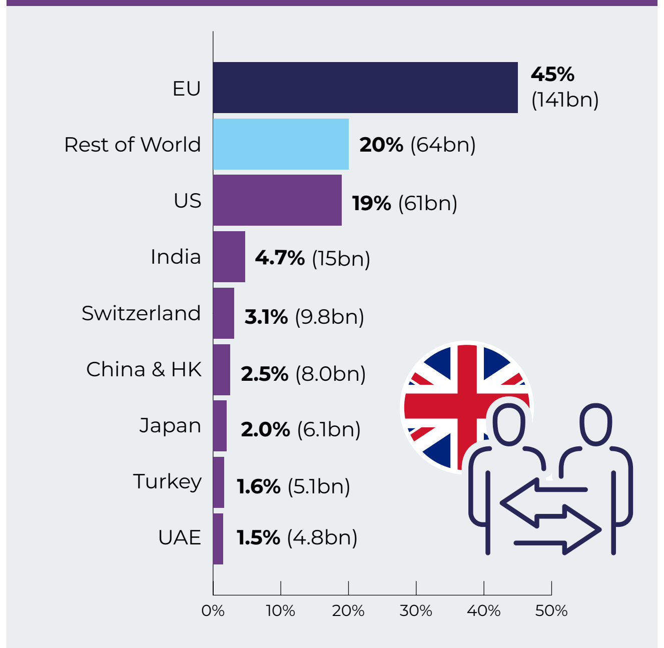

Source: ONS, Independent Economics
Note: The next three largest origins are Sweden, Japan, and Canada

**Figure 4:** UK services exports, 2024




Source: ONS, Independent Economics. Note: The next three largest destinations are Saudi Arabia, Japan, and the United Arab Emirates

**Figure 5:** UK services imports, 2024




Source: ONS, Independent Economics
Note: The next three largest origins are Singapore, Australia, and Canada



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## 1.2 New world, new challenges

During the negotiation period for the TCA between 2016 and 2021, there was a rise in political polarisation and increasing geopolitical instability. These conditions are familiar today, but there have also been significant political changes on both sides of the Channel.

In 2024, UK voters elected a Labour government for the first time in 14 years. Sir Keir Starmer's party was voted in with a manifesto pledge to "reset the relationship" and "deepen ties" with the EU, although he maintained that the UK would not rejoin the single market or customs union.[14] This marked a significant change in tone from the previous Conservative administrations. However, Labour has so far had to navigate challenging economic headwinds, with continued division among the electorate on how the future EU relationship should look.

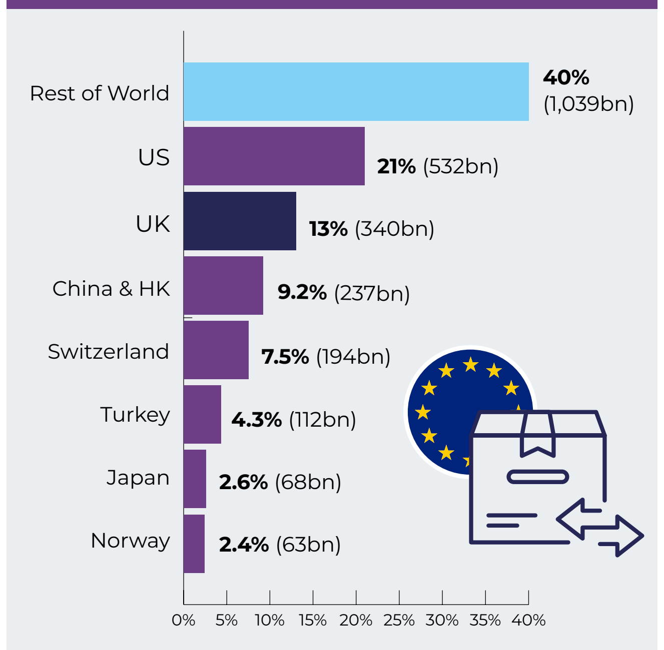
In the same year, following the European Parliament elections, a new European Commission was selected in Brussels, even if Ursula von der Leyen retained her post as Commission President. She is now dealing with a greater number of MEPs from populist, often anti-trade, parties.

The global context within which both Starmer's UK government and von der Leyen's Commission are working has also markedly shifted. The second Trump presidency, the war in Ukraine and increasing geopolitical competition are among the foreign policy challenges faced by both.

The shifting position of the US has made things considerably more challenging for European foreign policy. Before, the US was a key partner and ally of both the EU and UK. It is now less reliable, having significantly increased tariff rates for both. It has also shown that it is willing to undermine long-held norms and multilateral institutions, such as the World Trade Organization (WTO), to achieve its own objectives. This in turn has threatened the rules-based order in global trade that has thrived in recent decades.

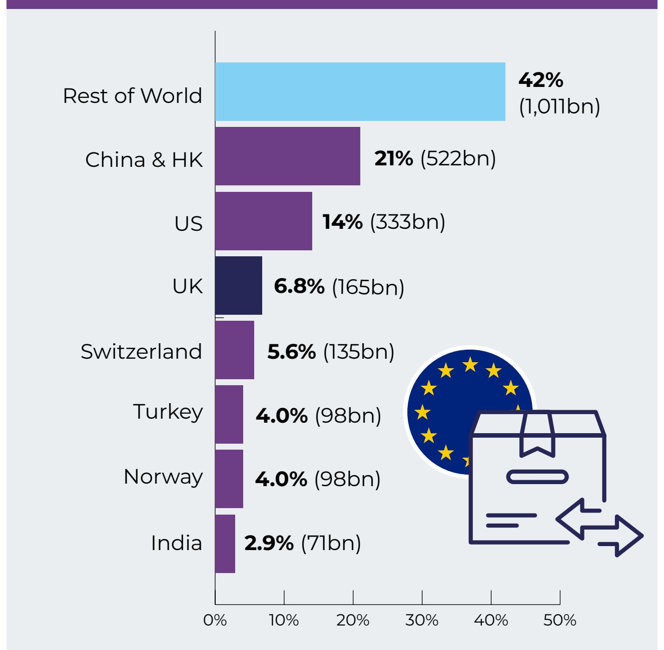
> *"The shifting position of the US has made things considerably more challenging for European foreign policy."*

**Figure 6:** EU goods exports, 2024




Source: Eurostat, Independent Economics
Note: The next three largest destinations are South Korea, Mexico, and India

**Figure 7:** EU goods imports, 2024




Source: Eurostat, Independent Economics
Note: The next three largest origins are South Korea, Japan, and Vietnam





## 1.3 Why a closer-to-home 'special relationship' is needed

For the UK and EU, these developments underscore enduring truths. The UK is geographically and economically part of Europe, its prosperity and security are deeply intertwined with those of the EU, and the EU remains the UK's largest trading partner, just as the UK is one of the EU's most significant. With the US becoming a less reliable partner, regional cooperation closer to home has become more important.

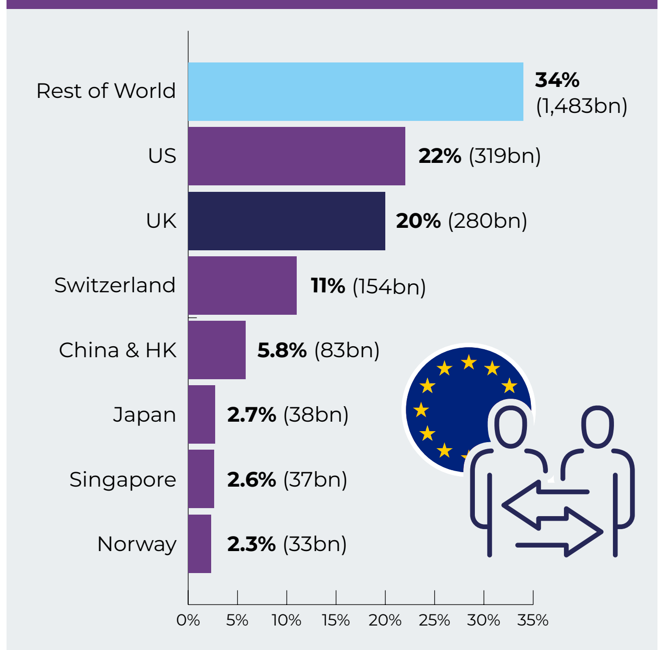
Following the 2024 European elections, von der Leyen called for a renewed focus on unity, resilience and global leadership. The EU Political Guidelines 2024–2029[15] and the Commission Work Programme 2025[16] reflect her ambition to prioritise competitiveness, security and sustainable prosperity. These initiatives build on the recommendations of the Draghi and Letta reports, and aim to strengthen Europe's economic and strategic autonomy.

The Trade Strategy seeks to position the UK as a "services superpower", leveraging its world-leading exports in this sector, while also aiming to deepen international partnerships to reduce trade friction, including with the EU.

This means there are good strategic reasons for deeper UK-EU cooperation. Both parties share economic goals focused on enhancing competitiveness, fostering innovation and securing resilient supply chains. The UK's emphasis on high-growth sectors aligns closely with EU initiatives like the Competitiveness Compass and the Clean Industrial Deal.

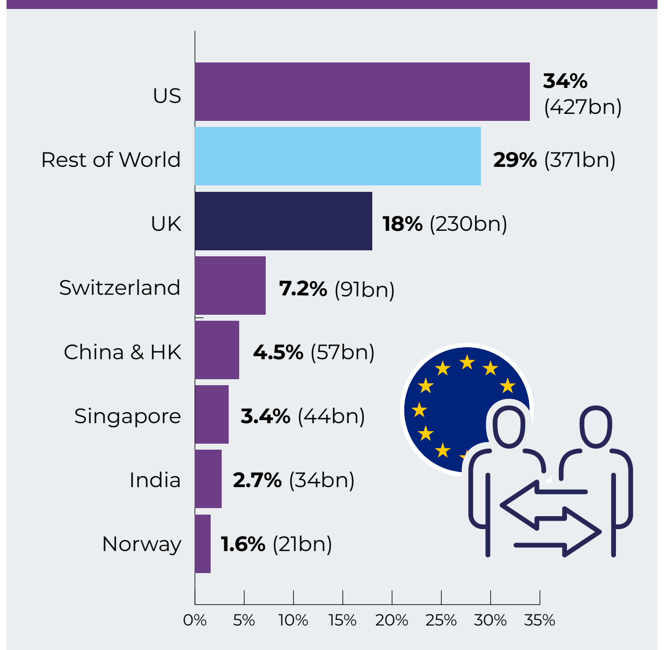
Mutual trade interests also support closer ties. With the WTO's dispute resolution mechanism weakened, the UK's decision to join the Multi-Party Interim Appeal Arbitration Arrangement (MPIA), which includes the EU and China, demonstrates its commitment to a rules-based trading system and strengthens its credibility as a global trade actor. Geopolitically, a closer UK-EU relationship would help uphold democracy amid rising authoritarianism and economic fragmentation. It would also enhance Europe's collective strategic autonomy.

**Figure 8:** EU services exports, 2023




Source: Eurostat, Independent Economics
Note: The next three largest destinations are Australia, Canada, and India

**Figure 9:** EU services imports, 2023




Source: Eurostat, Independent Economics
Note: The next three largest origins are Canada, Japan, and Turkey

Finally, regulatory alignment offers practical benefits. The EU's 2025 Work Programme includes major simplification initiatives, and aligning UK regulations where feasible could ease trade, lower costs and support SMEs on both sides.

As the UK and EU approach 2026, the need for deeper cooperation on industrial and trade policy has never been more pressing. The global economic landscape is being reshaped by geopolitical tensions, technological disruption, climate imperatives and supply chain vulnerabilities. The UK and the EU should explore how cooperation and strategic alignment of their respective industrial strategies offers a pathway to mutual resilience, competitiveness and sustainable growth.

## 1.4 The 'reset' summit

It is therefore welcome that the UK-EU Leaders' Summit, convened in London on 19 May 2025, took a substantial step towards an improved relationship.

The summit resulted in a Joint Statement and a Common Understanding that reaffirmed both parties' commitment to the TCA and the Withdrawal Agreement, including the Windsor Framework for post-Brexit trade in Northern Ireland. The summit also launched a Security and Defence Partnership, and laid the groundwork for further cooperation in areas such as energy, youth mobility, emissions trading, and sanitary and phytosanitary (SPS) standards on agrifoods. Crucially, the UK signalled a willingness to dynamically align with certain EU laws and to recognise the authority of the European Court of Justice in specific contexts – an indication of political flexibility that could shape the tone of the 2026 review of the TCA.

However, turning these pledges and agreements into practical benefits for businesses needs to become the focus.

The exact legal text and mechanisms through which this closer cooperation will be realised will likely take months, if not years, to come to fruition. Significant challenges still remain in finding the right common ground between the stated aims of both sides and the red lines they continue to hold.

On the UK side, Starmer reaffirmed his position that the UK will not rejoin the single market and customs union at the 2025 summit.

For its part, the EU repeatedly stressed the indivisibility of the four freedoms: the free movement of goods, services, people and capital. This was once again underscored in the Common Understanding on a Renewed Agenda for UK-EU Cooperation, adopted at the summit, which reaffirmed the EU's commitment to the integrity of the single market and its legal order.[17]

The reset summit has, though, marked an important change in tone and momentum within the relationship, and both must recognise that there is an important opportunity to foster an atmosphere of closer cooperation and policy development.

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## 1.5 The 2026 TCA review: Building on new momentum

The upcoming 2026 review of the TCA presents a formal and politically significant opportunity to build on the momentum of the reset. While the European Commission has indicated that the review is primarily focused on implementation, the TCA allows for amendments via the UK-EU Partnership Council. Moreover, side agreements remain a viable route for targeted improvements.

The TCA is a living agreement. Incremental improvements are already possible and, in some cases, underway. The five-year review is not the only moment for change, but it is a politically symbolic one that can accelerate broader progress.

Following the summit, Pedro Serrano, the EU's ambassador to the UK, declared that the long-standing "no cherry-picking" mantra was "no longer helpful." He added that it was important to move beyond rigid slogans and instead focus on areas of mutual interest.

"This is not about cherry-picking or not cherry-picking," he said. "We have identified a number of issues that are of mutual interest… it could be good if we started moving beyond rhetorics that are no longer helpful and that we look at the relationship as a living relationship".[18]

This shift reflected a recognition on both sides that selective cooperation can be mutually beneficial when underpinned by dynamic alignment with EU rules. While the EU remains cautious about setting precedents that could encourage other countries to seek similar bespoke arrangements, the summit outcome suggests a more flexible, interest-driven approach to UK-EU relations going forward.

These developments suggest that while red lines remain, there is scope for targeted, sector-specific agreements that respect both sides' core principles.

The 2026 review should therefore be seen not as a renegotiation of fundamentals, but as a strategic opportunity to build on the momentum generated by the summit and to deliver tangible improvements in the bilateral relationship. Both sides stand to benefit from creatively using the flexibility within their current positions to unlock mutual gains. The May 2025 summit demonstrated that political will exists to move beyond the status quo and to explore new forms of cooperation.

While the TCA does not replace the benefits of full EU membership, which include access to the single market and customs union, it remains a comprehensive and valuable framework for UK-EU relations. Judged independently, especially if it had been negotiated with a third country, the TCA would likely be seen as a robust and ambitious agreement.

It should not, however, be viewed as the final word on the future of UK-EU relations. Instead, it offers a flexible and adaptable foundation for deepening cooperation. It includes mechanisms that can support closer alignment and policy development between two economically interdependent and politically aligned partners.

The following sections explore key areas where constructive negotiation could yield tangible improvements, beginning with overarching strategic approaches and moving into specific sectors where cooperation could and should be deepened.

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# 2 Trust, cooperation and clear communication

## 2.1 A new approach based on trust, cooperation and clear communication

The main issue underpinning any evolution of the TCA is to what extent arrangements can be changed to align with the conditions for trade and cooperation that existed before Brexit, while remaining responsive to rapidly changing political, regulatory and economic conditions.

Two key questions frame this challenge:

- How can the TCA be adapted to accommodate parallel regulatory systems while preserving market access and cooperation?
- To what extent will the EU monitor how the UK matches its values and principles, particularly in the context of the UK's external relations with third countries?

The emphasis in the near future will be on the implementation, interpretation and development of the TCA. The UK's approach to governance, particularly its engagement with the TCA's institutional structures, will be critical in identifying and addressing emerging issues.

A cooperative strategy prioritising incremental updates is practical and achievable. This approach should be rooted in transparency and mutual respect while aligning changes with evolving legislative and policy frameworks on both sides. It should also foster deeper bilateral cooperation between the UK and individual EU member states that may in turn generate momentum for broader revisions to the agreement.

Trust is a prerequisite for progress. The period leading up to, during and immediately after the negotiation of the TCA was marked by significant distrust and political tension. However, the new UK government has made notable progress in restoring confidence and goodwill.

This renewed trust provides a foundation for:

- **Unlocking the TCA's inherent flexibility**, enabling the negotiation of supplementary agreements.
- **Exploring new areas of cooperation**, particularly where mutual interests align.

A key milestone was reached on 10 February 2025, when Starmer became the first UK leader since Brexit to attend a European Council meeting. This symbolic and substantive gesture was followed by a clear commitment to reducing trade barriers. In Parliament, the paymaster general, Nick Thomas-Symonds, described this as "a clear step forward" in resetting the UK-EU relationship.[19]

The following day, in a UK-EU forum, the government articulated a new guiding principle of "ruthless pragmatism", focused on advancing the UK's national interest through closer economic, security and diplomatic ties with its European neighbours.[20] This approach marks a deliberate departure from the more hardline one taken by previous administrations.

Support for this reset is not limited to the UK. German chancellor Friedrich Merz has also expressed a strong interest in deepening UK-EU relations, signalling a broader European appetite for constructive engagement. The UK and major EU member states are increasingly aligned in their response to a changing global order, particularly in light of a more transactional and less predictable relationship with the US. Areas of growing interdependence include defence and security, foreign policy and international diplomacy, and energy cooperation.

The May 2025 summit marked a turning point, with a series of outline agreements reached. While these developments are promising, the absence of detailed legal texts means that significant work remains. As ever, the devil will be in the detail.

To ensure sustained progress, both the UK and the EU must articulate a clear set of strategic objectives that align with their broader internal visions. However, they must recognise that trade negotiations, by their very nature, can result in trade-offs, with compromises needing to be made on each side. To ensure these choices are balanced, both parties should share a common set of aims which provide mutual benefit. These should aim to reduce trade frictions and regulatory barriers, facilitate sector-specific agreements, build on the commitment to create the Common SPS Area that was announced at the reset summit, and promote regulatory cooperation to address non-tariff barriers.

What is equally important is the need for a robust communications strategy. Both the UK government and the European Commission must clearly convey to their own audiences the benefits of closer UK-EU cooperation, and the realistic scope of changes achievable through negotiation, as well as the implications of maintaining or adjusting existing 'red lines'.

**An example of the maturing UK-EU relationship:**

## The UK-EU fisheries agreement

At the UK-EU summit, both parties reached a landmark agreement that reshaped the post-Brexit fisheries landscape. The summit concluded with a 12-year extension of reciprocal access to fishing waters, effective from July 2026 through June 2038, replacing the transitional arrangements set to expire in mid-2026.

This long-term deal marked a significant shift from the original Brexit settlement, under which the UK was reclaiming 25% of the EU's pre-Brexit fishing quota in British waters over a five-and-a-half-year period. While that transition restored some control to the UK, it also led to trade frictions. A major part of this was the loss of seamless access to EU markets and the imposition of SPS barriers such as export health certificates, catch documentation and restrictions on live shellfish exports.

The new agreement reflects a pragmatic recalibration. It grants EU vessels continued access to UK waters, while facilitating smoother trade for UK fishers into the EU market. This includes commitments to streamline SPS procedures and explore the establishment of a Common SPS Area, which could significantly reduce regulatory burdens.

Politically, the deal was sensitive for the UK government, as it involved concessions on sovereignty over fishing rights. However, the agreement was framed not as a retreat but as a strategic step towards broader cooperation. It helped unlock progress in other areas of the summit, including energy integration, youth mobility and security cooperation.

In essence, the 2025 fisheries accord signals a maturing UK-EU relationship that balances national interests with mutual benefits and sets a cooperative tone for the post-Brexit era. The agreement is expected to ease tensions and facilitate negotiations in other areas, particularly around SPS measures and customs procedures.

As broader UK-EU trade talks progress, the fisheries deal serves as a model of pragmatic compromise, balancing sovereignty with economic interdependence and helping to rebuild trust that could lead to deeper cooperation in sectors like agrifoods, services and digital trade.






Public understanding and support will be essential, particularly among businesses that rely heavily on UK- and EU-based supply chains. Even modest improvements in market access are likely to be welcomed by exporters and importers alike.

Recent agreements between the EU and Switzerland – another non-EEA country – offer a useful reference point. These agreements demonstrate how a third country can deepen its trading relationship with the EU while maintaining autonomy in services and trade policy. As the UK seeks to reset its post-Brexit relationship with the EU, the Swiss model may serve as an interesting example of what is possible for both parties. However, it is important to recognise not only that the balance of rights and obligations on both sides must be maintained, but that the relationship between the UK and the EU is different.

## 2.2 Northern Ireland: An opportunity for cooperation, not complication

Northern Ireland occupies a uniquely sensitive position in the evolving UK-EU relationship. As the only part of the UK sharing a land border with the EU, it has become a central focus of post-Brexit arrangements. The implementation of the Northern Ireland Protocol, its subsequent evolution into the Windsor Framework, and the upcoming 2026 review of the TCA all have profound implications for the region's political stability, economic development and constitutional future.

The protocol, part of the Withdrawal Agreement, was designed to prevent a hard border on the island of Ireland while safeguarding the EU single market. It effectively kept Northern Ireland aligned with certain EU rules on goods and customs while the rest of the UK was able to diverge. However, the protocol sparked significant political and economic tensions, particularly among Unionist communities which perceived it as creating a de facto border in the Irish Sea.

The Windsor Framework was agreed in February 2023 in response to this tension. It introduced several key reforms in a bid to simplify trade processes and enhance democratic oversight. It establishes different processes for goods that are either 'at risk' of entering the EU via Northern Ireland from Great Britain, or goods that are 'not at risk' of this, meaning that they will remain within Northern Ireland and therefore inside the UK internal market. 'Not at risk' items staying within Northern Ireland require minimal checks, while 'at risk' goods undergo full customs procedures.

The framework also includes the 'Stormont Brake' – a mechanism that allows the Northern Ireland Assembly to object to new EU laws applying in the region, provided certain thresholds are met. Additionally, Northern Ireland retains dual market access, allowing it to trade freely within both the UK internal market and the EU single market for goods, giving it a unique and competitively advantageous position. As a result of this, the region is well-positioned to attract FDI, enabling it to develop as a hub for many of the high-value industries being prioritised by the UK and the EU respectively.

While the framework has eased some administrative burdens, many businesses, particularly SMEs, continue to face challenges navigating the new system. In particular, companies continue to report confusion over customs procedures, labelling requirements and regulatory divergence.

The 2025 UK-EU summit had significant implications for Northern Ireland, reinforcing its unique role in the post-Brexit landscape. Key outcomes included the proposed Common SPS Area, which could facilitate easier agrifood trade across the Irish Sea. New commitments on energy cooperation and emissions trading could also alleviate concerns about the risk of an effective carbon border, continuing to support the all-island energy market.

These initiatives all aim to reduce trade friction, enhance energy security and strengthen Northern Ireland's economic position. Crucially, the summit also signalled a renewed spirit of cooperation, with both sides committing to inclusive dialogue and practical solutions tailored to Northern Ireland's distinct needs.

For Northern Ireland, the TCA review could help clarify its long-term regulatory environment, either reinforcing or recalibrating the Windsor Framework, and providing greater certainty for businesses and policymakers. The outcome of the review may not be pivotal in determining whether Northern Ireland's current arrangements remain sustainable and beneficial, but could offer the opportunity for further adjustments if needed.

If managed wisely, Northern Ireland could emerge as a model of pragmatic and mutually beneficial cooperation between the UK and the EU.

## 2.3 A shared vision for industrial transformation

While the TCA and its 2026 review are important for establishing the conditions for UK-EU trade, the TCA has been less successful in fostering deeper industrial policy coordination, regulatory cooperation and joint innovation. As London and Brussels have both recently laid out economic blueprints that have a lot in common, this oversight should be addressed.

The UK's Trade Strategy, introduced in June 2025, acknowledges the interconnectedness of goods and services while promoting an overarching digital-first approach to trade. It advocates for enhanced export support, the removal of non-tariff barriers and the creation of digital trade corridors with key European markets. It also proposes an EU Files Forum to monitor and respond to EU regulatory developments.

The EU, in turn, is advancing regulatory simplification and digitalisation to support cross-border trade and industrial competitiveness. Its focus on strategic raw materials, circular economy principles and clean technologies aligns closely with UK ambitions in critical minerals and green trade.

**View from:**

### Northern Ireland

*"As someone from Northern Ireland with a background in further education management and business development, the UK's 2025 Trade Strategy brought both opportunities and challenges.*

*"Its focus on skills and regional growth aligns with Northern Ireland's strengths in vocational training and innovation, offering potential to support local economies and retain talent. However, there remains a lack of clarity on how the strategy will address Northern Ireland's distinct trading position following Brexit, particularly regarding access to both UK and EU markets.*

*"The TCA also presents a mixed picture. It maintains important trade links with the EU, which are vital for Northern Ireland's cross-border economy, but it has introduced regulatory complexity. This makes it more difficult for businesses and education providers to plan effectively.*

*"The loss of access to EU programmes such as Erasmus+ has also reduced opportunities for international mobility and collaboration. The TCA, in its current form, does little to support cross-border education or acknowledge Northern Ireland's dual market access under the Windsor Framework.*

*"For trade and skills development to succeed, future strategies must provide clearer and more targeted support that reflects the region's specific circumstances. The report demonstrates the need for NI's dual market access to be used as model for UK-EU trade."*

**Elaine Flynn MCIEx**
Northern Ireland Stakeholder Engagement Lead at the Chartered Institute






Economic security and supply chain resilience are also growing priorities for both the UK and EU. The UK has established a Supply Chain Centre and an Economic Security Advisory Service to identify and address vulnerabilities in critical sectors, while the EU's strategy emphasises strategic autonomy.

Coordinated industrial resilience planning between the UK and the EU could enable joint responses to possible future supply chain crises. This should include collaboration on AI and cybersecurity policy development, both of which have risen as threats for supply chains and logistics companies since the TCA was negotiated.

Taking these similarities in ambition and approaches together, the 2026 TCA review offers the opportunity to establish a UK-EU Industrial Cooperation Council to ensure that each other's strategies are aligned, where in their mutual interest, while also fostering an environment in which the two parties can support each other in achieving shared goals.

Additional steps should also include an expansion of the TCA to include digital trade provisions, the creation of a Joint Regulatory Forum to manage regulatory divergence, and the launch of a Green Innovation Partnership to co-fund clean technology research and development.

Finally, the UK's continued participation in Horizon Europe underscores the mutual benefits of UK-EU collaboration in research and innovation. This partnership strengthens scientific excellence, supports cross-border collaboration and enhances Europe's global competitiveness.

As discussions begin on the EU's 10th Research and Innovation Framework Programme (FP10), it is in the UK's strategic interest to secure early involvement. Active participation in FP10 would ensure continued access to cutting-edge research networks, funding opportunities and influence in shaping the future direction of European innovation policy.

In an era of systemic uncertainty and rapid change, closer UK-EU cooperation on industrial strategy, innovation and trade policy is not just beneficial – it is essential for shared prosperity and resilience.

## 2.4 Two long-term strategic recommendations for reimagining UK-EU cooperation

**Recommendation 1**

**Strengthen industrial and trade policy alignment and communication**

- Establish a UK–EU Industrial Cooperation Council to coordinate strategic investment, innovation and regulatory alignment.
- Expand the TCA to include a dedicated digital trade chapter and a Joint Regulatory Forum.
- Develop a robust communications strategy to explain the benefits and trade-offs of deeper UK–EU cooperation.

**Recommendation 2**

**Support Northern Ireland's dual market role**

- Build on the Windsor Framework to enhance trade, energy and mobility links.
- Position Northern Ireland as a model for UK–EU cooperation.

*"The UK has established a Supply Chain Centre and an Economic Security Advisory Service to identify and address vulnerabilities in critical sectors, while the EU's strategy emphasises strategic autonomy."*



# 3 Practical recommendations for UK–EU trade and cooperation

This section outlines six key areas for focused negotiation to enhance economic cooperation while respecting the political autonomy of both parties.

First, the rules governing tariffs, origin and cumulation require revision. Simplifying rules of origin and enabling broader cumulation, potentially through UK accession to the Pan-Euro-Mediterranean Convention (PEM), would support manufacturers and exporters that rely on complex supply chains.

Second, customs and border procedures should be reviewed to reduce delays and paperwork for all businesses, especially for SMEs. Expanding digital customs systems and trusted trader schemes will help restore efficiency in cross-border trade.

Third, the UK and EU should build on the commitment made during the 2025 reset summit to establish a Common SPS Area, reducing trade frictions for agrifood businesses. Establishing a joint SPS committee will help both sides to implement this new initiative and resolve any disputes that could arise, while continuing to work together to address biosecurity threats.

Fourth, regulatory cooperation should be deepened in strategically important sectors such as advanced industry, food safety and professional services. Establishing mechanisms for mutual recognition of conformity assessments and qualifications would reduce duplication and facilitate smoother market access.

Fifth, there is also an opportunity to revisit mobility to support people moving between the UK and EU for work, study and cultural exchange. Negotiations should explore reciprocal youth mobility schemes, streamlined visa processes for short-term business travel and mutual recognition of professional qualifications. These measures would help rebuild people-to-people links and support sectors that rely on cross-border talent, such as education, research and the creative industries.

And sixth, energy and climate cooperation must be strengthened. Linking the UK and EU Emissions Trading Systems and exploring UK participation in the EU's single electricity market would promote joint decarbonisation goals and enhance energy security across the region.

The proposals set out in this chapter advocate for a pragmatic and forward-looking approach to UK-EU trade relations, aiming to reduce friction, foster trust and unlock shared economic potential.

## 3.1 Tariffs and rules of origin

### Modern rules of origin

Under the TCA, tariffs and quotas are generally not applied to goods traded between the UK and the EU, provided those goods meet the relevant rules of origin criteria. These rules are designed to ensure that only goods genuinely produced in the UK or EU benefit from the preferential tariff treatment afforded in the TCA, preventing third-country goods from being routed through the UK or EU to exploit preferential tariffs without sufficient local value added. They determine the economic nationality of a product based on where it is produced, the origin of its inputs and the nature of the processing it has undergone.

To benefit from zero tariffs under the TCA, businesses must prove that a product is 'originating' in the UK or EU, defined as meaning it is either 'wholly obtained' in either territory, or substantially transformed there. The rules determining this are product-specific, often complex, and difficult for businesses to understand and benefit from. It is an area that is ripe for reform.

To enhance the effectiveness of the TCA, a number of targeted reforms to the rules of origin framework should be introduced. These focus on simplifying and harmonising origin criteria to better align with the realities of modern, globalised supply chains. Adjustments such as revising product-specific rules and increasing tolerance thresholds for non-originating materials would provide businesses with greater flexibility in meeting origin requirements.

In parallel, there is a pressing need to improve support for small and medium-sized enterprises (SMEs), which often face disproportionate administrative burdens. Enhanced guidance, the deployment of digital tools and streamlined documentation processes would enable more SMEs to access zero-tariff trade preferences, thereby strengthening their participation in UK-EU trade and contributing to broader economic resilience.

### The case for diagonal cumulation

A process called 'cumulation' allows materials and processing from a partner country to count towards the origin of a product. This mechanism is particularly important for manufacturers operating within complex global supply chains, where components are sourced from multiple jurisdictions.

Currently, the TCA permits both bilateral and full cumulation. These provisions enable producers to treat materials and processing from either the UK or the EU as originating, thereby supporting integrated supply chains and reducing the risk of tariffs on goods with mixed UK-EU content. For example, a UK car manufacturer using a German gearbox can count that component towards origin status, provided the appropriate documentation is in place.

However, the agreement does not extend to diagonal cumulation. This means that UK and EU businesses are limited in their ability to incorporate inputs from third countries such as Japan, South Korea or Turkey that have FTAs with both parties. As a result, supply chains involving these countries face additional costs and compliance burdens, undermining competitiveness in sectors like automotive, textiles and electronics.





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Introducing diagonal cumulation would allow materials or processing from such third countries, which both the UK and EU have agreed FTAs with, to count towards origin status, provided consistent rules of origin are applied across the relevant deals. This would offer greater flexibility, reduce administrative complexity and enhance the attractiveness of the UK and EU as manufacturing hubs. It would also align with the broader objective of modernising trade rules to reflect the realities of global production networks.

Negotiating diagonal cumulation is not without challenges. It requires coordination across multiple agreements and alignment of origin rules. However, there are precedents and opportunities. The UK has already explored this approach in its negotiations with India, and both the UK and EU could work with shared partners to embed diagonal cumulation in future agreements.

As the 2026 TCA review approaches, incorporating diagonal cumulation should be a strategic priority. It would not only strengthen the economic rationale of the agreement but also signal a shared commitment to deepening UK-EU cooperation in a way that reflects the interconnected nature of modern trade.

### The Pan-Euro-Mediterranean (PEM) Convention

The EU has previously suggested that it would be open to the UK joining PEM, and the UK publicly stated in its 2025 Trade Strategy that it is considering the impact of this.

The PEM came into effect in 2012 to establish common rules of origin and cumulation between certain non-EU countries and the EU to help reduce administrative burden for businesses, facilitate trade, integrate supply chains and cut costs.[21] Being a member would

**View from:**

## Industry

*"The UK-EU TCA is a comprehensive trade agreement that allows for duty- and quota-free trade, subject to meeting the rules of origin. However, these rules differ between various types of products, with some being as simple as ensuring that the product was grown in a particular territory and others requiring assessment of complex processes.*

*"Therefore, the experience of using the TCA will be varied across importers and exporters on both sides. Additionally, businesses must also consider other conditions contained within the TCA, such as the direct transportation rule or the requirements surrounding the proof of preferential origin.*

*"Even within the agreement itself, there are differences in application between the UK and the EU. For preferential imports into the UK, the EU exporter must provide a statement on origin which includes a Registered Exporter (REX) number if the invoice value is over €6,000.00. This is an additional step that the EU exporter must follow to declare goods as preferential under the TCA. For exports from the UK, only the Economic Operator Registration and Identification (EORI) number is needed, which a majority of exporting businesses will already have.*

*"While the TCA may provide for additional simplifications, such as duty-free import of goods returned after repair, such benefits may only be accessed by using specific special customs procedures like outward processing, often requiring a separate authorisation or the provision of a guarantee."*

**Anna Doherty MCIEx**

Customs Practice Director at the Chartered Institute allow UK manufacturers to produce goods with components from a wider range of countries than just the EU, while still qualifying for preferential tariffs on products entering the EU and some neighbouring markets.

The PEM Convention has since been updated, with this new agreement entering into force on 1 January 2025 and transitional rules in place until the end of December 2025. It allows components sourced from PEM members to count as 'local content' under rules of origin in FTAs between members.[22]

The overall impact of PEM membership on UK trade would probably be modest.[23] Its main value would lie in offering targeted relief for certain sectors, particularly those with 'just in time' supply chains. The Centre for Inclusive Trade Policy (CITP) suggests that, in general, UK supply chains source only between 1.1% and 2.8% of their value from non-EU PEM countries, but the CITP concludes that the gains could be 'important' for some specific products.

**Recommendation 3**

**Reform rules of origin**

- Simplify and harmonise product-specific rules of origin.
- Incorporate diagonal cumulation with other FTA partners into TCA.
- Rejoin the Pan-Euro-Mediterranean (PEM) Convention to enable broader cumulation.

*"Customs controls have been a central feature of post-Brexit trade for good reason. They ensure the collection of import duties and VAT while enabling border agencies to enforce compliance with safety, security, health and environmental standards."*

## 3.2 Customs and border processes

Maintaining efficient and secure customs and border systems remains crucial, even as the UK and EU continue to recalibrate their post-Brexit trade relationship. However, since Brexit, cross-border trade has become increasingly complicated, with businesses complaining about complex customs procedures and SPS controls.

The complexity of customs procedures, the cost of compliance and differences in regulation have created significant barriers to trade. The 2026 TCA review presents a strategic opportunity to address persistent frictions and unlock new potential through digital innovation, greater cooperation and targeted support for SMEs.

Customs controls have been a central feature of post-Brexit trade for good reason. They ensure the collection of import duties and VAT while enabling border agencies to enforce compliance with safety, security, health and environmental standards. These controls include SPS checks on agrifood imports at designated border control posts, mandatory safety and security (S&S) declarations, and import clearance procedures for all goods.

Businesses are responsible for managing customs declarations, classifying goods, determining their origin and adhering to sector-specific regulations. However, firms have repeatedly raised concerns over the complexity and cost of these requirements.

In 2021, it was estimated that increased customs declarations, rising from 55 million to around 270 million annually, would cost businesses £15bn per year.[24] A 2025 study by the European Logistics Association confirmed that customs-related delays and administration continue to add approximately €10bn annually to UK-EU trade costs.[25] Furthermore, the limited integration between UK and EU digital customs platforms has hindered the seamless flow of goods.






### Aligning the EU Customs Reform programme with the UK Trade Strategy

To mitigate these challenges, especially for SMEs, the UK and EU should focus on streamlining customs procedures. Measures should include simplified declarations for low-value consignments, expanded trusted trader schemes, enhanced guidance and digital tools tailored for SMEs, and harmonised data requirements to reduce duplication. Many of these measures are being considered by both parties as set out in the UK Trade Strategy and as part of the EU Customs Reform programme.

The EU is currently implementing a major reform of its customs union, aimed at creating a more modern, data-driven system. Central to this reform is the development of a unified EU Customs Data Hub, which will allow for real-time data sharing and improved risk management.

In the UK, the 2025 Trade Strategy outlines a vision for a more agile and digital trade environment. The strategy emphasises support for SMEs through simplified customs processes and advisory services. Investment in trade technologies such as blockchain, AI and the Internet of Things (IoT) is central to the UK's approach, as is alignment with international digital trade standards.

Aligning these measures and ensuring compatibility would help traders, particularly SMEs, on both sides of the Channel.

### Creating a Common Security Zone

S&S declarations, including Exit (EXS) and Entry Summary (ENS) declarations, stem from the World Customs Organization's (WCO) SAFE Framework of Standards and apply for goods movements, under all modes of transport, between the UK and the EU. They provide border agencies with the information required to support intelligence activities such as anti-smuggling checks. The legal responsibility for completing them lies with the carrier.

*"Measures should include simplified declarations for low-value consignments, expanded trusted trader schemes, enhanced guidance and digital tools tailored for SMEs, and harmonised data requirements to reduce duplication."*

ENS declarations have been a legal requirement for goods movements from the UK to the EU since the end of the transition period. Similarly, under the terms of the Northern Ireland Protocol and Windsor Framework, ENS declarations were also required for British goods entering Northern Ireland from this time. However, for goods entering Great Britain from the EU, they have only been mandatory since 31 January 2025.[26]

This additional requirement places a significant burden on supply chains, both in terms of access to appropriate systems and data, as well as added administrative cost. Creating a Common Security Zone between the UK and the EU would remove the need for EXS and ENS declarations. Such a zone would require both parties to agree to applying the same set of standards and

requirements, as well using a shared system for managing S&S information for external arrivals and departures.

In the EU, the Import Control System 2 (ICS2) is used to manage these S&S processes. In the UK, Safety and Security GB (S&S GB) applies to Great Britain, while ICS2 NI is used for Northern Ireland. Given the dynamic alignment requirements seen in other areas, such as the Common SPS Area, the UK may need to consider adopting ICS2 more broadly if the creation of a Common Security Zone is to be a viable option.

However, since the end of the transition period there have been divergences in the S&S regimes between the UK and the EU. As part of the ICS2 roll-out, the EU mandates that a six- or eight-digit commodity code is included on every item line in the declaration. In the UK, the commodity code is optional and Border Force more often relies on an accurate description of the goods. Ahead of the implementation of the ENS declarations for arrivals from the EU, the UK chose to modernise its S&S declaration requirements, separating the data elements into mandatory, conditional and optional fields. In the EU all fields remain mandatory.

While there are differences in the application of S&S requirements in both the UK and the EU, and finding a pathway to aligning the differing approaches is a challenge, forming a Common Security Zone would remove significant barriers for UK-EU supply chains while providing border agencies with a single framework and system.

## The potential for digital trade

The EU and UK, which are both high-income economies and major trading partners, share a strong interest in enhancing trade efficiency and exploring new avenues for growth. The modern economies in both territories increasingly involve the production and use of data. Central to this evolution are two processes: digitisation and digitalisation.

Digitisation is effectively the process of converting analogue information, such as that which might be included on a paper-based document or pdf, into digitally stored data. This process transforms the ways in which this information can be stored, altered, analysed, transported and traded.

Digitalisation is the transformation of entire systems and processes through which trade-related information is exchanged and processed. It holds even greater long-term potential. It could speed up trade processes, improve security and reduce costs for consumers.

The UK Cabinet Office's Ecosystem of Trust pilot programme, conducted from October 2022 to March 2023, explored a new border model designed to facilitate frictionless trade by leveraging advanced technology and supply chain data. In its initial evaluation published in August 2023, the Cabinet Office reported that the pilots had produced compelling evidence of the potential economic benefits that the Ecosystem of Trust model could provide – not only for trade, but also for government and society more broadly. Notably, the evaluation highlighted that continued automation of customs declarations using business documentation could reduce industry's customs data collection costs by up to 40%, translating into an annual average reduction in administrative burden worth approximately £225m".[27]





Digitisation and digitalisation are deeply interconnected, making it difficult to separate their impacts. However, estimates suggest that reducing border delays by increasing the use of both could boost GDP by over 1%, equating to approximately £20bn for the UK and €170bn for Europe.[28]

This is just one way in which this sort of transformation could have a tangible economic impact. Establishing a comprehensive digital trade ecosystem among G7 nations could add another 1% to GDP for both the EU and UK.[29]

These figures likely represent only a portion of the potential benefits. For instance, the World Economic Forum estimates that AI-driven trade technologies could contribute nearly $20trn, or 15%, to global GDP by 2030.[30]

## Digital trade corridors and the future of UK-EU trade facilitation

As the UK and EU continue to refine their post-Brexit trading relationship, reducing border friction and improving compliance remain central to unlocking the full potential of the TCA. Digital technologies offer a transformative opportunity to address these challenges, particularly through the development of digital trade corridors – interoperable systems that connect customs platforms, logistics hubs and regulatory authorities across borders, allowing real-time data exchange.

Digital trade corridors are designed to streamline the movement of goods by enabling traders to submit data and trade documents just once and have it recognised by both UK and EU authorities. This interoperability reduces

### View from:

# Industry

*"Digital trade is still a very underestimated driver of global economic growth. The early adopter businesses that are exploring it, despite it not yet being fully developed, are already benefiting.*

*"I see first-hand how critical it is for countries to collaborate on enabling digital trade. Businesses need to see implementation of a strong regulatory framework, alignment of policy, practical interoperability between customs systems and cross-border recognition of digital identities in order to make the most of the digital trade opportunity.*

*"The key to reducing trade friction is establishing an effective and safe mechanism for data exchange – ideally in the form of electronic trade documents and international data standards – as this increases transparency and efficiency, while reducing administrative burden and unlocking many new efficiencies for various industries. A good example is just-in-time logistics businesses, where delays caused by incorrect documentation – often printed copies accompanying the driver – are one of the main causes for customs delays at the border upon inspection.*

*"The creation of a regulatory framework underlined by interoperability is key to ensuring that systems 'speak the same language'. This would ensure that neither the UK nor EU would become a lone digital island, and that the data exchanged across UK-EU borders could be trusted, secure and remain accurate. Without this interoperability, UK or EU efforts on digitalisation risk not being successful, with duplications in effort and new risks created in trade flows.*

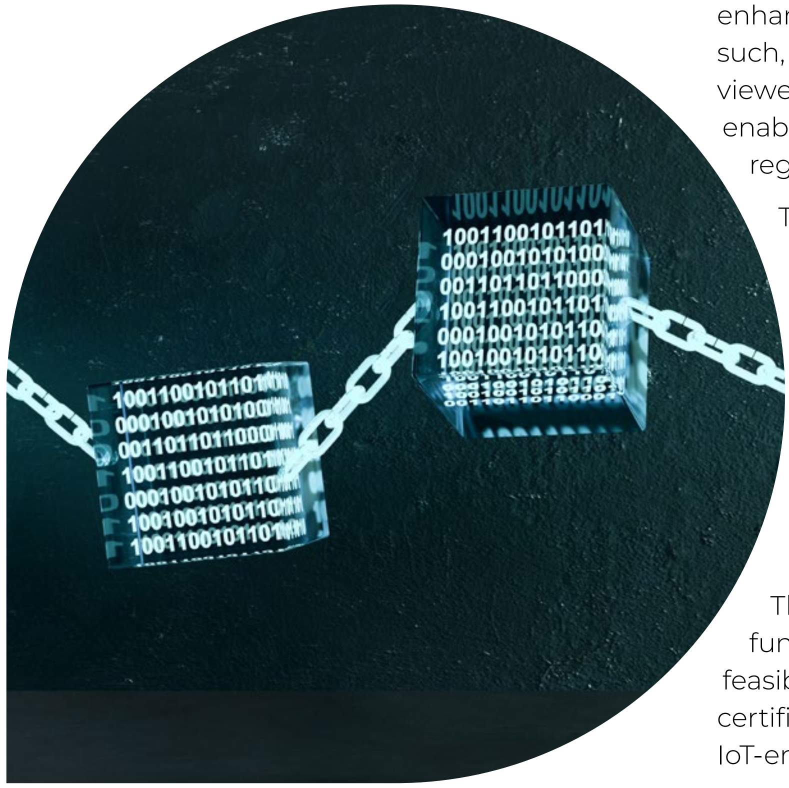
*"Creation of a collaborative UK-EU framework for trade digitalisation is key to unlocking new competitive advantages for both parties."*

**Ilona Kawka MCIEx**
Imports Advisory Lead at the Chartered Institute

duplication, accelerates customs clearance and minimises delays at ports. By linking customs systems and logistics infrastructure, digital corridors can support pre-clearance of goods, reduce congestion and improve the predictability and transparency of cross-border trade.

The potential benefits extend beyond efficiency. Blockchain technology can provide secure, tamper-proof documentation, including certificates of origin, which is particularly valuable for goods subject to SPS controls. AI and 'Big Data' analytic tools can enhance risk profiling, allowing authorities to focus inspections on high-risk consignments while facilitating the swift movement of compliant goods. Meanwhile, IoT devices and smart seals can be added to containers, trucks and other vehicles to monitor temperature, location and handling conditions in real time, ensuring compliance with safety and environmental standards.

Another key potential benefit of blockchain technology is the ability to attach continuous 'rule of origin' data to goods throughout their production and trade journey. This ensures that origin status is preserved and verifiable at every stage, reducing the risk of fraud and simplifying compliance with preferential tariff regimes. When integrated with digital trade finance and insurance platforms, these technologies can also improve access to working capital and reduce transaction costs for businesses of all sizes.



*"In parallel, the UK and EU should work with industry stakeholders to develop digital tools that embed rule of origin data into supply chains, ensuring that preferential tariff treatment is preserved without increasing administrative burden."*

The TCA provides a framework for cooperation on customs and trade facilitation, but its implementation has been uneven. Border delays, inconsistent documentation requirements and divergent regulatory interpretations continue to affect traders on both sides. Digital trade corridors offer a practical solution to these issues, enabling the UK and EU to move beyond static paper-based systems and towards a dynamic, data-driven model of trade governance. The TCA review offers an opportunity to develop this solution, and other side agreements on data exchange should also be explored.

Moreover, the integration of digital technologies aligns with broader UK and EU policy objectives, including the promotion of green logistics, the digitalisation of public services and the enhancement of supply chain resilience. As such, digital trade corridors should not be viewed as a technical upgrade, but as a strategic enabler of deeper economic integration and regulatory cooperation.

To realise the full potential of digital trade corridors, the UK and EU should prioritise the development of interoperable customs systems that allow for mutual recognition of documentation and pre-clearance of goods. This will require investment in digital infrastructure, alignment of data standards, and the establishment of joint governance mechanisms to oversee implementation and resolve disputes.

The two parties should also collaborate on funded pilot projects that demonstrate the feasibility and benefits of blockchain-based certification, AI-driven risk management and IoT-enabled compliance monitoring. These





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pilots could focus on high-value or high-risk sectors such as pharmaceuticals, agri-food and automotive components, and should result in broader deployment, where the technology is proven to provide benefits.

In parallel, the UK and EU should work with industry stakeholders to develop digital tools that embed rule of origin data into supply chains, ensuring that preferential tariff treatment is preserved without increasing administrative burden. These tools should be designed with interoperability in mind, allowing them to integrate with existing platforms.

Finally, both sides should explore opportunities to integrate digital trade corridors into future revisions of the TCA, including through the establishment of a dedicated digital trade chapter or annex. This would provide a legal basis for ongoing cooperation and signal a shared commitment to modern, frictionless trade.

Digital trade corridors represent a critical opportunity to modernise UK-EU trade relations and enhance the effectiveness of the TCA. By embracing interoperable systems, emerging technologies and collaborative governance, the UK and EU can reduce border friction, improve compliance and strengthen the resilience of their shared supply chains. As we approach 2026, digital trade corridors, as highlighted in the UK Trade Strategy 2025, should be at the heart of a forward-looking agenda for economic cooperation.

**Recommendation 4**

**Streamline customs and border procedures**

- Develop interoperable digital trade corridors to reduce duplication and delays.
- Expand trusted trader schemes and coordinate approaches to managing low-value consignments.
- Create a Common Security Zone to reduce administrative burden created by new safety and security requirements.
- Ensure alignment between measures in the UK Trade Strategy with planned EU customs reforms.

## 3.3 Realising the Common SPS Area

The agreement reached at the 2025 UK-EU summit to establish a Common SPS Area marked a significant recalibration of post-Brexit trade relations. While technical in nature, the SPS framework is central to the functioning of agrifood trade and its reform represents a strategic shift in the UK-EU economic relationship.

Since the UK's departure from the EU, the agrifood sector has faced acute challenges, ranging from regulatory divergence and increased paperwork, to physical inspections and border delays. These frictions have contributed to a 21% decline in UK agrifood exports to the EU and a 7% drop in imports between 2018 and 2024.[31]

The new SPS arrangement aims to streamline the movement of agrifood products by removing many of the bureaucratic and physical barriers that emerged post-Brexit. Crucially, the agreement reflects a shared commitment to high standards in food safety, animal and plant health, and consumer protection.

It also signals a willingness to reduce duplication and regulatory divergence without compromising sovereignty or public health. For businesses, this translates into lower compliance costs, fewer delays and greater certainty in cross-border operations. For consumers, it means more stable supply chains and potentially lower prices.

However, while the agreement sets a promising direction, the detail will be key. The effectiveness of the SPS framework will depend on how its provisions are implemented, interpreted and

*"The effectiveness of the SPS framework will depend on how its provisions are implemented, interpreted and enforced across both jurisdictions."*

enforced across both jurisdictions. Differences in regulatory culture, inspection practices and risk tolerance could still create friction unless carefully managed through ongoing dialogue and technical cooperation.

To maximise the benefits of the SPS agreement, the UK and EU should ensure that its implementation is supported by clear guidance, consistent enforcement and regular dialogue between competent authorities. A joint SPS committee should be established to monitor progress, resolve disputes and adapt the framework to emerging risks and scientific developments.

Both parties should also engage with industry stakeholders to identify remaining pain points in the agrifood supply chain and explore further simplifications where possible. This includes reviewing documentation requirements, inspection protocols and certification procedures to ensure they are proportionate and risk-based.

The establishment of a Common SPS Area addresses a core source of post-Brexit friction and offers tangible benefits to businesses, consumers and regulators. By restoring predictability and efficiency in agrifood trade, the agreement strengthens the economic rationale of the TCA and demonstrates the value of constructive regulatory cooperation. Careful implementation and sustained political will are essential to ensure that the SPS framework delivers on its promise.

The SPS framework also lays the groundwork for broader economic cooperation, that could have positive spillover effects in other sectors affected by regulatory divergence, such as chemicals, pharmaceuticals and industrial goods.

**Recommendation 5**

**Implement the Common SPS Area**

- Establish a joint SPS committee to oversee implementation and resolve disputes.
- Engage with industry to identify and address remaining pain points.

## 3.4 Broader regulatory cooperation

Regulatory cooperation between the UK and EU remains one of the most sensitive and strategically important dimensions of the post-Brexit relationship. As the UK charts its own regulatory path, the challenge lies in balancing autonomy with alignment, ensuring that divergence does not come at the cost of market access, consumer protection or international credibility.

### The role of regulatory alignment and cooperation

Non-tariff barriers, such as differing product regulations, testing requirements and certification procedures, can be as obstructive to trade as tariffs. Closer regulatory alignment can therefore help ensure that goods move more freely between the UK and EU markets. This is particularly important in sectors like chemicals, electronics and agrifoods, where compliance with technical regulations is critical.

Despite the UK's departure from the EU, it continues to maintain a regulatory framework that is closely aligned with the EU in many areas. Some divergence has occurred, largely through passive means, and the overall extent of this regulatory separation has been less severe than initially anticipated. Nevertheless, to address ongoing trade facilitation challenges, the UK and the EU would benefit from establishing enhanced regulatory cooperation, including exploring a legally recognised and mutually accepted conformity assessment framework.

### Mutual recognition on conformity assessments

One major barrier that has emerged is that the EU does not currently recognise UK conformity assessment and accreditation. This lack of mutual recognition has led to regulatory fragmentation in areas such as chemicals legislation, medical devices and product safety regulations where differing rules and implementation approaches are already creating confusion.

Multiple industry bodies, including LightingEurope, Make UK, the Confederation of Swedish Enterprise, the UK Accreditation Service and the Chartered Institute, recently wrote a letter to UK and EU leaders calling for a mutual recognition agreement on conformity assessment. The letter said that such an agreement would increase stability in both regulatory environments, avoid duplication of conformity assessments for both UK and European businesses trading in both markets, and provide greater availability to conformity assessment bodies for businesses.[32]

This agreement could be achieved either as part of a 'mini-deal' or alongside other industry-focused measures. The letter also highlighted that the UK Accreditation Service (UKAS) is assessed to the same standard as EU equivalents, making it easier to achieve such an agreement.

### Cooperation beyond copying

Regulatory cooperation should not simply mean passive adoption of one set of rules. Instead, a model of dynamic alignment should be explored.

In this system, one of the partners may choose to align with the other's regulations in specific sectors for practical reasons, such as facilitating trade or ensuring safety, while retaining the right to diverge when it sees fit. This approach is exemplified in the UK's Product Regulation and Metrology Bill, which allows for selective alignment with EU rules when it benefits UK industry, while preserving the UK's regulatory autonomy.

Nonetheless, the UK must exercise caution when diverging from EU rules. For instance, in a recent consultation on food labelling, the UK chose not to adopt the EU's NutriScore system. While EU food labelling laws are generally non-binding recommendations, divergence in such areas can still complicate trade, particularly where consumer expectations and supply chain practices are closely integrated.

There is also considerable value in learning from each other's regulatory regimes. The UK and EU may move at different speeds or adopt different approaches to similar challenges, and this divergence can be a source of mutual insight rather than friction. For example, one side may

> *"Regulatory cooperation should not simply mean passive adoption of one set of rules. Instead, a model of dynamic alignment should be explored."*

innovate more quickly in areas such as digital regulation or environmental standards, while the other may take a more cautious, consensus-driven path. By observing and engaging with each other's regulatory developments, both parties can identify best practices, avoid unintended consequences, and improve the quality and legitimacy of their own frameworks.

To support this, legislation should increasingly focus on achieving common and equivalent outcomes, rather than insisting on identical rules. Upholding the spirit of the law, such as ensuring consumer safety, environmental protection or fair competition, should take precedence over strict adherence to the letter of the law.

This outcome-based approach allows for flexibility in how rules are implemented, while maintaining trust and cooperation between regulators. It also



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provides a more resilient foundation for managing divergence, as it recognises that different legal systems can still deliver comparable results when guided by shared principles.

This model of regulatory cooperation, grounded in mutual learning, outcome-based equivalence and dynamic alignment, offers a pragmatic path forward for the UK-EU relationship. It respects the UK's autonomy while preserving the benefits of regulatory coherence, and it creates space for innovation, dialogue and trust-building in a post-Brexit context.

### UK participation in EU agencies and bodies

Following its departure from the EU, the UK no longer holds full membership in EU regulatory agencies. However, it can and does engage with some EU bodies through cooperative or associate arrangements. For example, the UK continues to participate in programmes like Horizon Europe and maintains dialogue with agencies such as the European Chemicals Agency and the European Food Safety Authority, where third-country participation is permitted.

The UK could further reinforce its role as a constructive partner by seeking associate membership in agencies such as the European Union Aviation Safety Agency and the European Environment Agency, provided it agrees to the terms of participation. These typically include financial contributions and, in some cases, acceptance of the jurisdiction of the Court of Justice of the European Union, which remains politically sensitive.

Participation in EU regulatory bodies offers practical benefits. It helps maintain regulatory coherence, facilitates trade and supports mutual understanding of evolving legislation. However, it also requires careful political calibration. The UK must weigh the benefits of alignment and access against the desire for regulatory autonomy and the implications of accepting EU legal oversight.

The UK should continue to participate in certain regulatory bodies through tailored arrangements that are sector-specific, conditional and politically negotiated. These arrangements offer a pragmatic route to maintaining influence and reducing friction in UK-EU trade relations.

### Improving regulatory cooperation

While the TCA provides a framework for regulatory cooperation, there is broad agreement that its implementation could be more effective. Strategic use of existing forums, more active committee engagement, stronger parliamentary oversight, and expanded cooperation in emerging sectors like digital trade and AI all present opportunities for improvement.

- **Better use of existing forums.** The TCA includes several cooperation forums and mechanisms designed to manage and oversee the agreement's implementation and evolution. However, often similar discussions have been held at multiple forums with little additional benefit. Each of the separate mechanisms should serve its distinct purpose to avoid duplication and inefficiency.
- **More frequent and proactive committee engagement.** The Trade Specialised Committees have commonly met only once a year. Increasing the frequency and scope of these meetings would allow for quicker responses to emerging challenges, particularly in fast-moving sectors.
- **Strengthening parliamentary oversight.** The Parliamentary Partnership Assembly could conduct joint research into future regulatory developments. These could be informed by European Parliament reports and UK select committee inquiries helping to anticipate how future legislative proposals could impact trade between the EU and the UK.
- **Expanding sectoral cooperation.** The regulatory cooperation model could be extended to new sectors including the establishment of working groups on digital trade and AI.

**Recommendation 6**

### Deepen regulatory cooperation

- Promote outcome-based equivalence and dynamic alignment in key sectors.
- Secure sector-specific mutual recognition agreements, including on conformity assessments.
- Expand cooperation to emerging areas such as AI and digital trade.




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## 3.5 Moving on mobility

Mobility for both young people and professionals has re-emerged as a central theme in redefining the UK-EU relationship. This dual-track approach reflects a growing recognition that people-to-people ties are not only socially enriching but economically strategic too.

Youth mobility has long been a cornerstone of the EU's external engagement and at the UK-EU summit a new youth experience scheme was proposed. The initiative would allow individuals who qualify to live, work, study and volunteer in the partner territory for a limited period of between two and four years depending on the negotiations. The 2025 summit also saw both sides agree to explore the UK's re-association with the Erasmus+ programme, subject to mutually agreed financial terms, and alignment between the EU's Multiannual Financial Framework and the TCA.

For the UK, a services-driven economy, workplace mobility remains a critical issue. In 2024, the UK exported £184bn in services to the EU, representing approximately 6.4% of its GDP.[33] Despite the TCA's relatively generous provisions compared to the WTO's General Agreement on Trade in Services (GATS), significant barriers persist. These include fragmented rules across member states, restrictions based on service type, and limitations on the duration and purpose of business visits. The OECD's Services Trade Restrictiveness Index highlights that intra-EEA services trade is considerably more liberal than trade between the EU and third countries, including the UK.[34]

Short-term business mobility has become a focal point for reform. The current UK visa sponsorship scheme, while functional, imposes significant costs and administrative burden on employers seeking to hire EU service providers. This has led to calls for reform to allow greater flexibility and fairer competition. The list of permitted activities for business visitors under the TCA remains narrow and inconsistently applied across member states. At the 2025 summit, both sides agreed to initiate dedicated dialogues on short-term business mobility and the mutual recognition of professional qualifications.

These discussions are particularly relevant for sectors such as legal services, architecture, engineering and the creative industries, where professionals often work across borders on a project basis. The absence of streamlined visa pathways has created friction for touring artists, technical crews and other professionals whose work depends on cross-border access.

*"Youth mobility has long been a cornerstone of the EU's external engagement and at the UK-EU summit a new youth experience scheme was proposed. "*

The differing priorities of the EU and UK – youth mobility versus workplace access – may offer a foundation for a mutually beneficial trade-off. For example, the Sussex Trade Policy Observatory has challenged the assumption that admitting more EU students at domestic fee rates would harm UK universities financially. In a context of declining enrolments and course closures, even lower-fee students could contribute positively to university revenues. Allowing institutions to make case-by-case decisions on admissions could offer a flexible and pragmatic solution to these problems.

To build on the momentum of the 2025 summit, the UK and EU should prioritise the following actions:

1. Formalise the youth mobility scheme and establish a clear timeline for the UK's potential re-entry into Erasmus+.
2. Expand the list of permitted activities for short-term business visitors and clarify the rules governing sponsorship schemes to reduce administrative burden.
3. Accelerate negotiations on the mutual recognition of professional qualifications, with a focus on high-impact sectors.

The 2025 UK-EU summit laid the groundwork for a more balanced and forward-looking mobility framework. In 2026, both sides have an opportunity to institutionalise these developments, ensuring that mobility rights for young people and professionals remain a bridge rather than a barrier in the evolving UK-EU relationship. By aligning mobility policy with economic strategy and cultural diplomacy, the UK and EU can strengthen their partnership in ways that are both principled and pragmatic.

**Recommendation 7**

**Advance mobility frameworks**

- Formalise a reciprocal youth mobility scheme and explore UK re-entry into Erasmus+.
- Accelerate mutual recognition of professional qualifications in high-impact sectors.

## 3.6 Energy and emissions trading and alignment

The May 2025 UK-EU Summit signalled renewed momentum toward deeper energy and climate cooperation, with a commitment to explore relinking their Emissions Trading Systems (ETS). While formal linkage remains under negotiation, the prospect of alignment offers significant trade benefits. A linked ETS outcome would harmonise carbon pricing, reduce compliance costs and, crucially, mitigate the risk of double carbon taxation for emissions-intensive sectors such as steel, aluminium, cement and fertilisers, as well as downstream products in the future.

This cooperation is particularly significant in the context of the EU's Carbon Border Adjustment Mechanism (CBAM), which becomes fully operational in January 2026. Without ETS alignment, UK exporters will face substantial CBAM-related costs when accessing EU markets. The UK's own CBAM, scheduled for 2027, is now being shaped in parallel, providing the opportunity of reciprocal exemptions and coordinated implementation. Such coordination would preserve competitiveness, reduce administrative burden and protect bilateral trade flows in carbon-intensive goods.

The potential ETS linkage could unlock up to £8bn in UK Treasury revenues from carbon allowance auctions by 2030 and prevent annual losses of up to £2.4bn in electricity exports. This is particularly significant given the UK's ongoing transition toward becoming a net electricity exporter by 2030.

*"The differing priorities of the EU and UK – youth mobility versus workplace access – may offer a foundation for a mutually beneficial trade-off."*





Progress on market integration and joint offshore wind infrastructure will further support energy security and climate goals. As the 2026 TCA review approaches, the evolving UK-EU dialogue on ETS and CBAM marks a critical juncture. If formalised, these steps could institutionalise a more integrated and resilient energy and trade framework, reduce friction and reinforce shared climate ambitions.

**Recommendation 8**

**Link emissions and carbon trading systems**

- Implement ETS linkage and explore wider energy cooperation.
- Ensure alignment between evolving CBAM frameworks.

## 3.7 Creating a more inclusive trading ecosystem

Supporting SMEs is a central consideration throughout our recommendations. SMEs form the backbone of both the UK and EU economies yet often face disproportionate challenges in navigating cross-border trade and regulatory requirements.

Future UK-EU cooperation should prioritise tailored solutions that reduce administrative burden, enhance market access and provide targeted support to ensure SMEs can fully benefit from bilateral trade opportunities. It is therefore imperative that the UK and the EU maximise the opportunities under the SME Chapter of the TCA.

Similarly, advancing the role of women in international trade remains a key priority. Despite recent progress, women-led businesses continue to face systemic barriers, including limited access to finance, exclusionary working patterns and underrepresentation in senior roles within trading organisations.

The UK-EU collaboration should embed gender-sensitive approaches in trade policy, drawing on initiatives like the recently-established Women in Trade Hub UK (WiTH UK) which advocates for visibility, accessibility and community support for women entrepreneurs. Policy frameworks must promote inclusive access to resources, structured career development pathways and flexible support systems that reflect the realities of women's working lives, particularly those balancing domestic responsibilities.

By addressing these structural challenges and fostering capacity-building, we can help close the export gap and enable women to thrive in global commerce.

*"Future UK-EU cooperation should prioritise tailored solutions that reduce administrative burden, enhance market access and provide targeted support to ensure SMEs can fully benefit from bilateral trade opportunities."*

# Conclusion

As the UK and EU approach the 2026 TCA review, the opportunity to recalibrate and deepen their relationship is both timely and necessary.

The evolving geopolitical landscape, shared economic challenges and mutual strategic interests underscore the importance of a more integrated and forward-looking partnership.

This report has outlined a comprehensive vision for how such a partnership can be achieved. Its recommendations are grounded in a shared recognition that the UK and EU are stronger together. By embracing a pragmatic, sector-specific and trust-based approach, both parties can move beyond the transactional nature of past relations and forge a strategic partnership fit for the challenges of the 21st century.




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# Contributors and endnotes

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## Endnotes

You can view the endnotes included throughout this report online, via the QR code below:

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