WHERE NEXT? THE FUTURE OF THE UK-EU RELATIONSHIP
Six and a half years since the Brexit referendum, UK relations with the EU have still not settled into a coherent and consistent pattern. Partly, this is because the process of leaving itself took so long. Partly, too, because there is much still to resolve, not least whether the treaties signed will be fully applied. This report examines the contours of that relationship. It assesses both where we have got to and how the relationship might evolve.

I very much hope that you will find what follows interesting and informative. In so far as you do, this is down to the efforts of Joelle Grogan, Stephen Hunsaker, Jonathan Portes, Joël Reland, Jill Rutter and Sophie Stowers. I’d like to thank all of them for their hard work. And of course for their patience in dealing not only with what they all thought was my ridiculous idea that we should do this report as quickly as they have, but also with my numerous suggestions and queries. The considerable effort they have put into writing this report has been supplemented by the careful review of Catherine Barnard, Sarah Hall, and Simon Usherwood, and editing of John Barlow and Alex Walker.

As ever, if you have any comments or feedback, please do not hesitate to get in touch.

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Director, UK in a Changing Europe
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EXECUTIVE SUMMARY

• The framework for the UK’s trading relationship with the EU was set by the Withdrawal Agreement and the Trade and Cooperation Agreement (TCA). The TCA provides for tariff-free trade for goods but little in the way of regulatory alignment, and only very limited arrangements for trade in services. The result has therefore been a substantial increase in non-tariff barriers, while trade deals with non-EU countries have had a very limited impact to date.

• Already, the impact on the UK economy has been significant. While the most important factors behind current economic problems in the UK and in the EU – especially the rise in energy prices – are global, the comparative weakness of both UK trade and investment over the past few years is at least in part the result of Brexit. The UK is the only major economy where output remains below pre-pandemic levels.

• Meanwhile, EU migration has decreased sharply, while there has been a substantial increase in non-EU migration. Combined with other factors, this has led to migration overall running at record levels. The new system has seen increases in work visas in the health sector, and some other high skilled service sectors, while other sectors, such as hospitality, which were previously more dependent on EU workers, are seeing labour shortages.

• As the negative economic impacts of Brexit have become more visible, support for Brexit has fallen sharply and is now at its lowest since the referendum. Although attachment to ‘Leave’ and ‘Remain’ labels continues to be strong, both Leave and Remain voters have become more open to cooperation with the EU in key policy areas.

• Brexit remains a live political issue in Westminster and Brussels: the Northern Ireland Protocol Bill would allow the UK government to unilaterally suspend key elements of the Withdrawal Agreement, which in turn would be likely to provoke a strong political reaction from the EU, potentially undermining the TCA.

• So, two years on, the post-Brexit relationship between the UK and the EU is far from either settled or stable. The immediate challenge is resolving the issues surrounding the Northern Ireland Protocol but even if this is achieved, other deadlines and decisions are looming, relating to, for example, data exchange, electric cars, and fish.
Beyond that, there appears to be little political space on either side of the Channel for a major reconsideration of the relationship or renegotiation of the TCA in the short term. While public opinion is shifting, politics within the UK do not seem to speak in favour of a renegotiation, and in a low-trust environment, there is likely to be little appetite in the EU to renegotiate a deal whose current asymmetries largely benefit EU exporters.

Changes to the relationship are likely to be slow and incremental in the immediate future. Nevertheless, there remain several areas, short of a full-scale renegotiation of the TCA, where the relationship could be built upon, including UK participation in the Horizon Europe programme, deeper cooperation on energy security and perhaps integration of the UK and EU emissions trading schemes to avoid new barriers to trade once the EU introduces its carbon border tax.

Beyond this, if public opinion continues to shift, and trust can be rebuilt between the UK and the EU, more significant changes might be possible over the longer term. For example, alignment on animal and plant health standards would both reduce barriers to trade created by the TCA and deal with some of the frictions caused by the Northern Ireland Protocol. New visa arrangements could make it easier for professionals or young people to travel between the UK and EU for business visits and work. Mutual recognition agreements on conformity assessments and/or professional qualifications would facilitate the movement of goods and services respectively. The two sides might also seek an agreement on security and defence given the UK remains a key player in the European security architecture.

The opportunities to develop the relationship are contingent upon a UK government having the political will and bandwidth to pursue such a course, upon building enough trust with the EU for it to be willing to explore the options, and of course upon EU interest in such measures. Even the most ambitious version of the agenda set out above would only go part of the way to reducing the barriers to trade that have resulted from the UK’s exit from the single market and the customs union.
INTRODUCTION

Just under three years since the United Kingdom ceased to be a member of the European Union and over six since it voted to do so, the relationship with the EU remains a subject of often bitter debate. Partly, this reflects the divisive nature of the referendum and the depth of the Brexit identities that resulted from it. Partly, too, the prominence of the issue is a reflection of the fact that the relationship itself is stymied by the ongoing dispute over the Northern Ireland Protocol.

Brexit was always going to have serious implications for Northern Ireland, the only part of the UK with a land border with a member state. The lack of an agreed way forward on the Protocol negotiated in October 2019 continues to cast a shadow over UK-EU relations as well as government and politics in Northern Ireland itself. The Northern Ireland Protocol Bill, currently being considered by Parliament, has exacerbated the dispute and led to threats of retaliation from the EU should it become law.

Should agreement on the Protocol not prove possible, it is possible that the Trade and Cooperation Agreement (TCA) so painfully negotiated between the two sides will itself not be properly implemented and that the relationship will descend into a running standoff between the two sides. Such a standoff would reduce, if not eliminate, the chances of the two sides putting in place the kinds of additional measures to ease cooperation that are the focus of this report. The key to a more settled relationship, in other words, is a successful resolution of the current standoff over the Northern Ireland Protocol.

This report considers both the current state of UK-EU relations and future prospects for changes in those relations. To ground this analysis, it begins with an assessment of the impact of Brexit on the UK economy and on immigration, before considering the state of public and political opinion on Brexit.

Even if a way were to be found to satisfy all sides over the Protocol, opinion within the parliamentary Conservative Party and the electoral coalition on which its majority was built militates against steps to tighten cooperation with the EU. The Labour Party, in contrast, has indicated that it might want to build on the relationship negotiated by Boris Johnson, not only in the area of trade but also via a tightening of security ties with the EU. While it remains far from clear that the EU will accept any such proposals, there is more scope for a deepening of relations under Keir Starmer than under a Conservative prime minister.
Whilst the Withdrawal Agreement (WA) and the TCA provide a basis for the relationship, significant divergence between the two regulatory systems will have an impact on trade, while events such as the ongoing war in Ukraine will continue to raise questions as to whether a formal security relationship between the two sides is needed. And hanging over the whole thing will be the question as to whether the two neighbours have the wherewithal to manage being economic competitors as well as staunch allies. Meanwhile the TCA itself is scheduled for review from 2025.

Moreover, a series of deadlines means that decisions on the nature of the future relationship will be forced on the two sides, whether that be over financial services or trade in electric vehicles. For the UK, the relationship will continue to necessitate difficult choices not only about domestic regulation but also, for instance, over whether to continue accepting ‘CE’ markings on goods to ease trade, and how best to approach the regulation of chemicals. On the EU side, decisions loom (in June 2025) as to whether to renew the ‘adequacy’ decision that allows the free exchange of personal data. Meanwhile, the deal on fisheries, which provoked so much acrimony, will need to be renegotiated from 2026, as will provisions around energy cooperation which have been (intentionally by the EU) slated to expire on the same day.

Even if, in other words, the scheduled review of the TCA itself is more limited than might have been the case (it seems likely to come immediately after a UK election and after the selection of a new European Commission), there are a substantial number of issues that will require urgent attention.

In addition, there are a number of areas where either the UK unilaterally, or both sides, might decide it is in their interests to build upon or supplement what is set down in the TCA. In terms of the former, the UK might, for instance, reconsider its decision to leave the EU’s ‘list of travellers’ scheme, thereby making it easier for school trips from EU states to visit the UK. As for the latter, a raft of issues, ranging from potential links between UK and EU emissions trading schemes to greater cooperation on justice and policing matters, to customs facilitation to security cooperation are open to negotiation.

What actually transpires, of course, will be as much about politics as it is about economics or any other form of functional self-interest. This applies as much to the EU as the UK side. The TCA provided the EU with largely unfettered trade in areas where it enjoys a trade surplus with the UK (goods) while having relatively little to say about services, where it is the UK that enjoys a surplus. Consequently, member states will need incentives to revisit a deal that serves
them well and to provide concessions such as joint conformity assessment that might be sought particularly by a Labour government.

To finish where we began, there is of course the ongoing dispute over the Protocol. This continues to haunt the relationship, affecting everything from progress in improving the efficiency of energy transmission, to cooperation over digital policy, to UK participation in the Horizon research programme. A deal on the Protocol might unlock progress in all these areas, and the consequent improvement in bilateral relations might even lead to broader efforts to improve cooperation. Pressure for a solution will mount as decisions have to be made on, among other things, chemicals regulation in Great Britain (Northern Ireland is aligned to EU regulations) and the application of the EU’s Carbon Border Adjustment Mechanism.

Should the dispute over the Northern Ireland Protocol be resolved and should greater trust between the two sides develop as a result, there are a number of ways in which that relationship might be built upon. Clearly, this will depend on political will on both sides, which is far from guaranteed. What seems clear, however, is that the relationship is far from settled. Brexit will not be ‘done’ for a while yet.
WHERE HAVE WE GOT TO?

As close neighbours, sharing seas and a land border, withdrawal from the EU after nearly 50 years of membership was always going to have a big impact on the UK. In this section, we look at those impacts. We first look at the agreements that define the UK-EU relationship and the disagreements that threaten to derail it (such as those over the Northern Ireland Protocol Bill). We then look at the impacts of Brexit on the economy, as well as on public opinion in the UK and the attitude of political parties towards the relationship with the EU.

These impacts provide the starting point for the future relationship which needs also to be viewed against the backdrop of wider events. These include developments within the EU itself, regulatory and constitutional shifts in the UK, as well as the continuing impacts of the Russian invasion of Ukraine, the rise in global trade tensions, and what might come to resemble a process of deglobalisation.

This section is not intended as an exhaustive account of the state of a post-Brexit UK. Rather, it is intended to set the scene for the discussion of how the relationship might evolve. Consequently, we have deliberately not addressed, for instance, politics or public opinion in the different nations of the UK as, ultimately, the state of the UK-EU relationship will hinge on the politics of the UK as a whole.

Agreements and disagreements

Two Agreements – the Withdrawal Agreement (WA) and the Trade and Cooperation Agreement (TCA) – define the contours of the relationship between the UK and the EU. Following fraught negotiations, and a change of British Prime Minister, the UK and EU agreed the WA in October 2019. The agreement came into force on 31 January 2020 and marked the UK’s official exit from the EU. The WA continues to define EU/UK relations in several respects, including the status of Northern Ireland, protections for the rights of EU citizens who were living in the UK, and UK citizens who were living in the EU, prior to Brexit.

The UK and EU subsequently agreed the TCA on 24 December 2020. The UK Parliament approved the TCA in one day on 30 December 2020, and, after a longer period of ‘provisional application’ by the EU to allow more in depth consideration, the European Parliament followed suit on 28 April 2021.

The TCA established arrangements for future cooperation across a range of areas. These included trade in goods and (to a much lesser extent) services, as well as
digital trade, intellectual property, aviation and road transport, energy, fisheries and law enforcement and judicial cooperation in criminal law matters. It also provides a mechanism for renewed UK participation in some EU programmes such as Horizon Europe, which provides funding for research and innovation. The TCA rests on a joint commitment to a level playing field in areas including environmental protection, state aid (subsidies to industry), labour and social standards, to ensure ‘fair competition’ between EU and UK businesses. The expectation is that the UK won’t drop its standards in these areas and the EU can introduce trade penalties should it do so. Because of UK reluctance, the treaty does not cover foreign and defence policy or external security.

A joint UK-EU Partnership Council governs the TCA to ensure it is properly implemented. The Council can amend elements of the treaty if both sides agree. Both the WA and the TCA contain mechanisms involving consultation, arbitration and enforcement to resolve disputes that may arise. The TCA will be reviewed in 2025, though the extent of that review remains unclear, not least given that it will be carried out after the election of a new UK government and the instalment of a new European Commission.

Almost since its approval, there have been continuing arguments over the operation and content of the Ireland/Northern Ireland Protocol contained within the WA. This was designed to avoid a customs and regulatory border on the island of Ireland, while protecting the integrity of the single market. However, even with the agreement of a number of ‘grace periods’ to allow time for adjustment to the new rules, tensions arose between the UK and the EU. The UK accused the EU of an unnecessarily legalistic approach to implementation, while EU officials voiced their frustration at UK reluctance to act on a text it had negotiated, signed, and urged Parliament to ratify. Tensions were amplified when the EU Commission said - before quickly back-tracking - that it would trigger Article 16 of the Protocol at the end of January 2021 in order to stop vaccines intended for the EU from leaking into the UK via Northern Ireland. Although Ursula von der Leyen, Commission President, expressed her ‘deep regret’ that mistakes were made’ over the threat of using Article 16, the event provided grist to the mill of those who had disliked the Protocol from the start.

The Protocol continues to haunt UK-EU relations, with the UK Parliament currently considering a bill - the Northern Ireland Protocol Bill - that would allow government ministers to disapply all the trade provisions in the Protocol unilaterally, a move seen by many as breaking international law. The Northern Ireland Executive and Assembly are still suspended as the DUP refuses to nominate a deputy First Minister or Speaker until the Protocol issue is resolved.
Prime Minister Rishi Sunak has said that he favours a negotiated settlement, and, maintaining the improved mood music inherited from Liz Truss’s brief premiership, has continued with technical talks. He suspended the passage of the Northern Ireland Protocol Bill through Parliament before Christmas in order to provide more time for negotiations. There also seems to be pressure from the US to do a deal before the 25th anniversary of the Belfast/Good Friday Agreement in April 2023. However, there remain substantial differences of principle between the UK and EU.

UK-EU relations remain in limbo as a result of the standoff over the Protocol. Specific areas of cooperation have been affected, such as UK participation in the Horizon programme (see below). EU officials were also told earlier in 2022 not to hold meetings with their UK counterparts unless these were related to the war in Ukraine or ‘legally mandatory’ (although this was understood as temporary policy).

The Northern Ireland Protocol Bill is one of a package of Brexit Bills which have the potential to radically change the UK’s legislative landscape. The delegation of broad law-making powers to government ministers to change the UK statute book as they see fit for the new post-Brexit world is a common feature of these bills, any of which might severely impact on UK-EU relations. The resurrected Bill of Rights Bill stops short of taking the UK out of the European Court of Human Rights (ECHR), but nevertheless poses a threat to the UK’s commitment under the TCA to ‘give effect’ to the ECHR domestically as part of joint cooperation on law enforcement and criminal matters, as well as its obligation under the Belfast/Good Friday Agreement to incorporate ECHR rights into Northern Ireland law. The Retained EU Law (Revocation and Reform) Bill sunsets (i.e. automatically terminates) all EU-derived law still on the statute book at the end of 2023. It does, however, provide Ministers with the power to ‘assimilate’ (or keep) any such laws, albeit with little time or thought for parliamentary scrutiny. Beyond many issues, for regulators and the regulated, as it is uncertain which laws (if any) will be assimilated and so continue to apply, the Bill also risks breaching the level playing field commitments in the TCA if it significantly reduces or removes (for example) environmental protections – a large number of which exist as retained EU law – which the UK is committed to upholding as part of the TCA.

The passage of either of these bills will necessarily undermine good neighbourly relations and potentially have an impact on trade. It is, however, the dispute over the Protocol that is key. Should negotiations break down, or should the Northern Ireland Protocol Bill become law, the EU has made it clear that it will react with economic countermeasures and that relations with the UK will not be deepened. Should some compromise outcome be reached, however, there is the potential for
relations to be reset, albeit the possibility of this happening will hinge decisively on the state of public opinion and – crucially – party politics.

**Trade and the economy**

The economic impact of Brexit, potential and actual, has been central to recent political and public debate. In the immediate aftermath of the referendum, while Sterling fell sharply, other negative impacts predicted by the Remain campaign largely failed to materialise, although business investment has been persistently weak. However, two years since the implementation of the WA and TCA in January 2021, and with the immediate impacts of the pandemic largely behind us, we now have a reasonable amount of hard data on subsequent developments in the UK economy. While, as always in macroeconomic analysis, it is difficult to identify precisely what would have happened in the absence of Brexit, there is now a considerable body of analysis on the economic impact of Brexit so far.

Most of this has focused on trade. The UK’s trade relations with the EU changed dramatically on 1 January 2021 when the transition period ended and the TCA came into effect. While most UK-EU trade remains tariff- and quota-free, the UK is no longer a member of the EU’s single market or customs union. This means that UK products have no automatic right of free circulation on the EU market. The TCA has erected new non-tariff trade barriers – meaning increased trade costs for business and consumers – where both UK and EU traders must now go through new processes at the borders including extensive regulatory checks for agri-food products. Even where the UK has standards identical to the EU’s, these are no longer automatically recognised by the EU, leading to a need for paperwork and checks.

Meanwhile, the freedom to conclude new trade deals that suited UK interests, in particular with the US, China and India, was a key Brexit promise. But in practice, almost all of the 71 trade deals agreed since Brexit are rollover agreements with trade partners that already had agreements with the EU rather than bespoke deals capitalising on the UK’s new position in the world. The two new deals signed since Brexit are with Australia and New Zealand (the Japan agreement has been slightly modified compared to the EU-Japan agreement). The UK Trade Policy Observatory has cautioned that the Japan deal will provide no net gain compared to the EU-Japan deal. The Australia and New Zealand deals should lead to increased trade – but from low levels – and have been controversial because of the potential impact on UK farmers as markets eventually fully open to beef and lamb exports from those countries and for the potential precedent this sets for future deals, including with the big beef producers in South America. Negotiations on an enhanced deal with Canada are underway.
Economists inside and outside of government predicted that, while exiting the single market and customs union would have a large negative impact, new trade deals would only offset this to a very limited extent, at least in the short to medium term. For example, the Office for Budget Responsibility (OBR) estimated that the impact of the former would be to reduce UK trade by about 15%, but that new trade deals, even with the US and India, were unlikely to have ‘a material impact’ on economic growth.

So far the data appears to support these predictions. In the run-up to Brexit, uncertainty over the terms of withdrawal, coupled with a succession of looming deadlines for a no-deal exit, led to volatility in the trade data. This was driven by anticipation effects and the build-up and then run-down of stockpiles. However in that period, the UK was still trading with the EU on the same terms as a member state, so those fluctuations were in anticipation of change rather than as a result of it.

Imports and export volumes have now returned to roughly pre-pandemic levels in volume terms, although exports remain weak. While the overall deficit has widened, this is largely driven by energy price rises unrelated to Brexit. Disaggregating between EU and non-EU trade, imports from the EU, after falling sharply, now appear to have largely recovered. Overall, there is no strong evidence in the aggregate data of a differential impact between EU and non-EU trade, as predicted by most pre-Brexit forecasts, although some more detailed analyses have suggested that UK exports to the EU have indeed suffered and there is considerable evidence that the number of UK firms exporting to the EU has fallen sharply.
It is when comparing the UK to other advanced economies that the likely impact of Brexit becomes more apparent. Relative to G7 countries (and indeed to other advanced economies) the UK’s trade openness (total imports and exports divided by GDP) has fallen significantly, with the UK not sharing in the post-Covid recovery seen by most other countries. It is difficult to explain this marked underperformance except by reference to the direct and indirect impacts of Brexit. So far, at least, the impact of Brexit appears to have been to reduce UK trade across the board.

**Trade openness**

*Comparing the UK and other G7 economies, Q1 2010 to Q2 2022*

While it is clearly not the main driver of inflationary pressures in the UK, which primarily reflect global trends, lower trade and reduced openness is also likely to have pushed up the price level in the UK. Food prices, in particular, have risen, especially among food products that are imported into the UK.
Brexit is also likely to be a major factor driving the persistently weak level of business investment in the UK. While this predated Brexit, and also reflects the ongoing impact of austerity and broader economic policy failures, recent trends have been particularly worrying, and while some argued that this was driven primarily by Brexit uncertainty – and so would improve once the Brexit deal was actually implemented – there is little evidence of this to date.

The overall impact of these trends on GDP remains a matter of vigorous debate, although there is a widespread consensus that this has been negative. Analysis by the Center for European Reform estimates that if you look at the UK’s performance compared to a basket of ‘similar’ countries, the UK growth shortfall is already about 5 per cent: this would be a very large impact indeed, equating to more than £100 billion a year in lost output. The OBR has forecast that the long-term impact of Brexit will be to eventually reduce GDP by about 4 per cent; of this, it estimates that two fifths has happened already. Other economists adopt an intermediate position. Notably, even the small minority of economists who predicted that Brexit would have a positive long-term impact don’t dispute that so far the impact has been negative.

Voters have picked up on these realities in the years since the referendum, and have become increasingly pessimistic. The initial impact of Brexit upon cost of living in 2017 saw the first marked shift in public perceptions, with a record number of people stating that they thought Britain would be worse-off outside
the EU. By the end of 2017, the proportion of voters who thought that the economy would be worse-off rose to over a half, and has stayed at that level since.

Breaking this down, perhaps unsurprisingly, in late 2021, just 13% of Remain voters said that Brexit has had a positive impact on the UK economy. Yet almost a quarter of Leave voters agreed. Data collected by UK in a Changing Europe (UKICE) in March 2022 indeed showed that, even amongst those who would still vote to stay outside the EU, over half concede that the impact upon the UK economy has been negative, though Leave voters have been more likely to blame the economic downturn on the pandemic as well Brexit. The current state of the economy suggests this is unlikely to change soon.

**Migration and mobility**

Immigration was a totemic issue in the run-up to June 2016, named as the most important matter facing the country by 56% of people the year before the referendum. The message that Brexit would allow the UK to ‘take back control’ of our borders seemed to resonate with many voters.

In terms of migration, on 1 January 2021, free movement of EU citizens (or a right to live and work in the UK) ended. However, the government introduced a new migration system which liberalised access to the UK labour market for non-EU citizens, by lowering salary thresholds and skills requirements for work visas. This has led to a sharp reorientation of UK migration flows.

The predicted decline in further EU migration – exacerbated by the pandemic and its aftereffects – has evolved much as forecast. Before the pandemic, EU migration fell considerably, largely offset by substantial increases in non-EU migration, although much of this reflected an increase in the number of international students.

The 2022 migration figures show the highest levels of net migration in the UK since records began, at about half a million over the year to June. The statistics reinforce earlier analysis that predicted that the new, post-Brexit system would result in a reorientation of UK migration patterns from the EU to the rest of the world, with workers and students from South Asia and Africa substituting for those from the EU. Special factors, including the reopening of borders post-pandemic, as well as the war in Ukraine and (to a lesser extent) a relaxation of the rules in respect of Hong Kong nationals also drove net migration.
However, what is clear is that increases in non-EU migration have significantly exceeded expectations and the number of skilled worker visas has approximately doubled compared to pre-pandemic levels. However, EU nationals only represent approximately 10% of all work visas. Similarly, there have been very large falls in the number of EU nationals coming to the UK to study, more than counterbalanced by a sharp increase in non-EU nationals.

**Visas granted by visa type**

So for immigration, in contrast to trade, the fall in flows from the EU has been at least offset by increases for those outside the EU. This has also resulted in changes in the sectoral profile of visas issued, with the vast majority accounted for by the health sector and high-productivity, high-skill service sectors such as IT, finance, business and professional services. Meanwhile, other sectors, more dependent on EU workers in occupations that do not qualify for the new skilled work visa - especially the hospitality sector - are seeing significant labour shortages, which may have further increased inflationary pressures.
One possible impact of this skill and sectoral shift would be an increase in the relative wages of lower paid workers, as shortages drive up pay. This was a major theme during the referendum campaign, although most economists were sceptical that reduced immigration would lead to large impacts on wages. While the full effects will take some time to work through, so far there is little evidence of an improvement in the relative position of low-paid workers; indeed, compared to the pre-pandemic period, their pay has lagged behind those at the top, with workers in the finance sector seeing the largest gains.

Many analysts assumed that UK domestic politics would ensure that Brexit, driven as it was in large part by concern over migration to the UK, did indeed deliver a significant net reduction in migration flow. Before the referendum in 2016, there was a consensus among a majority of the general public that ‘less immigration’ would be the result of a vote to leave the European Union. This view was particularly concentrated amongst Leave voters, 85% of whom expected Brexit to lead to a drop in immigration. It was thought that failure to deliver this would result in a political backlash, leading to a tightening of policy.

This has not proven an accurate prediction, and indeed the British public has become less likely to think that leaving the EU has had any impact on migration at all, particularly Leave voters. By the end of 2022, voters in general were actually more likely to think that the numbers of legal immigrants entering the UK were higher than they were pre-Brexit.

More widely, a large proportion of the public think that illegal immigration in particular has risen since Brexit, in large part due to increased discussion of the issue following the rise in small boat crossings in 2022. At the beginning of 2022, 42% of the public felt illegal immigration had gone up since Brexit, while 42% were likely to say illegal immigration had stayed roughly the same or fallen. Now, 56% say illegal migration has risen, and 31% say levels are similar or lower than they were pre-2016.

New migrants to the UK are not the only people affected by Brexit. While it was agreed early on that the Common Travel Area between the UK and Ireland would be maintained, the rights of EU, EEA and UK citizens who had exercised their free movement rights before Brexit were only secured in the WA and other bilateral agreements.

An estimated six million people (including 5.53 million EU/EEA citizens, and 448,800 non-EEA nationals qualifying under family or derivative rights) applied for pre-settled or settled status up to 30 September 2022, following the deadline for applications of 30 June 2021. Not all will have stayed in the UK, and those with
where next? the future of the uk-eu relationship

Difficulties faced by EU citizens with pre-settled or settled status proving their rights to work, rent, and enter the UK continue to dog EU and UK relations. On the horizon are further concerns as pre-settled status expires for all those who applied at the latest by 30 June 2026. The Home Office requires EU citizens to ‘upgrade’ to settled status through a further application at the end of their five years. Failure to apply for settled status means the loss of a right to remain, and potential deportation. The large numbers involved means that even a small percentage failing to rectify their position in time could mean substantial numbers of EU and EEA citizens being designated illegal immigrants and facing deportation.

In December 2022, the Independent Monitoring Authority, established by the WA to safeguard EU citizens’ rights, successfully challenged the requirement before the High Court which ruled that right of residence can only be lost for reasons specified by the WA, and failure to upgrade is not one of them. The Home Office has sought permission to appeal the decision.

A further category of people facing new Brexit restrictions are UK and EU citizens travelling on short-term assignments for work. Trade in services, and the mobility of persons is now complex and difficult to navigate. Service providers are covered by limited commitments in the TCA – but in practice face new barriers and need to deal with each EU member state’s requirements. Musicians and performing artists have been particularly badly hit by the new restrictions as they are not covered by the TCA. Moreover, the TCA contains no provision for general mutual recognition of professional qualifications, presenting another barrier for professionals including, among others, engineers, architects, lawyers and accountants.

Even tourists are affected. British second home owners face the constraint of meeting the ‘90 days out of 180’ rule in many EU countries (unless they have the equivalent of settled status in the host country) which means they cannot spend the winter in Spain. UK and EU citizens can enter visa-free for short visits but the UK chose not to allow maintaining visa-free travel to be subject to negotiations in the TCA. Nonetheless, more border checks have meant delays at ports and airports.

From 2023, UK nationals will need to apply online for an ‘ETIAS’ visa-waiver to enter the EU Schengen Zone for even short tourist visits. Routine travel hindrances (which are likely to get worse next year as the EU introduces new biometric passport checks) – including the significant extra costs of taking pets to the EU – could all contribute to the sense that Brexit is not working.
The new migration and mobility regimes affect how people can move legally between the UK and the EU. But in 2022 the immigration debate has been dominated by a third category of movement – the increasing number of asylum seekers resorting to small boats to cross from northern France into the UK to claim asylum, and the government’s handling of their claims. While this increase is not, in the main, directly related to Brexit, Brexit is likely to have made what is already a difficult and complex UK-France issue still harder to address. Outside the EU, the UK can no longer make use of the Dublin Regulation to return some asylum seekers to other EU countries and more broadly, the deterioration in the UK-France relationship has made the required cooperation harder to achieve.

**Public opinion**

It is difficult to discuss the impact of Brexit on public opinion, or to set the stage for the future of the UK-EU relationship, without first reflecting on the strength of the political identities revealed by the referendum. Since 2016, when asked if they identify as a ‘Leaver’ or a ‘Remainer’, large portions of the electorate have consistently identified with one of these labels. As heated debates took place over the future of the UK-EU relationship post-2016, these identities hardened.

By 2019, around 45% of people said they were a ‘very strong’ Remainer or Leaver, an increase of 5% on the previous year. And though the strength of ties to Leaver and Remainer labels has lessened slightly over the last two years, polling by UKICE in association with Redfield and Wilton in December 2022 showed that 74% of the electorate still identify as one of the two.

**Brexit identities remained stable throughout 2022**

![Graph showing public opinion on Brexit identities over time](image)

Just as with any political identity, these labels have shaped how voters view the world, not least how the UK and EU should interact post-Brexit. As negotiations on the future relationship began, Remainers were keen that the UK align with the Union on key issues such as transnational crime, defence and immigration, and are still almost twice as likely as Leave voters to believe that the UK should align with the EU rather than the US on key policy issues.

The polarisation between the two sides was also evident in their reactions to the TCA. In December 2020 only 35% of Leave voters were satisfied with the deal, compared to 53% of Remainers – the latter figure doubtless partly shaped by the fact that the alternative was no deal at all. And perhaps unsurprisingly, the reasons for the relative unhappiness of both sides were very different: Remainers bemoaned the government’s pursuit of a more distant relationship with the EU than they would prefer, whereas Leavers blamed the Europeans for their lack of compromise.

Five years after the referendum, there is little sign of minds changing. Over four in five voters maintained that they would still vote the way they did in 2016. Leave voters have been particularly resolute. Even those Remain voters who said they would not vote to re-join the EU have said it is not because Brexit had been an unabashed success and they have changed their minds, but because Brexit is a fait accompli.

Yet in the last year, we have begun to see some evidence that Brexit may not be quite as divisive as it once was. In the aftermath of a global pandemic and the outbreak of war in Ukraine, both of which have meant closer cooperation with European partners, voters – including Leavers – have become more inclined to say that the UK should work constructively with the EU. Indeed, research has shown that this shift in public attitudes has been driven primarily by Leavers who have become more uncertain about the impact of leaving the EU and are therefore more supportive of closer cooperation.

And although UKICE polling consistently found a narrow majority for Remain over Leave throughout 2022, we saw a marked turnaround in August 2022, with support for EU membership jumping to 54%. As of December 2022, 56% of respondents would now vote to re-join the EU, compared to 45% the preceding February. The latest figures are consistent with those of other polls during that summer which had also put re-joining ahead of Leave.

Indeed, support for Brexit is now at its lowest since 2016, with only 32% of voters agreeing that leaving the EU was the right thing to do. 2016 Leave voters have become similarly pessimistic, with only 70% now saying that leaving the EU was the right thing to do, compared to 88% in June 2021.
More widely, Brexit has simply become less of a priority for voters. The UK’s relationship was named as one of the most important issues facing the country by 60% of voters in the aftermath of the referendum in January 2017, peaking at 70% in January 2019. Yet by the beginning of 2022, in the aftermath of the pandemic and at the beginning of a cost-of-living crisis, just 22% of voters said the same. By the end of the year, Brexit had dropped out of the top ten most important issues facing the country altogether, swiftly eclipsed by health and the economy.

So, what has driven this change? A shift in public opinion on the same two issues that dominated the 2016 campaign may go some way to explaining it.

First, since the referendum took place, not only have Leavers and Remainers become more likely to agree on the likely impact of Brexit on immigration, but the issue has become much less salient. Since the referendum took place in 2016, voters have become less likely to cite immigration as one of the most important issues facing the country – only 13% did so by the time of the 2019 general election. Research by the Migration Observatory has also shown that attitudes towards immigrants in general had softened in the years following the vote, though recent political tensions surrounding the failure of the government to resolve the issue of asylum seekers could mean that it will become divisive once again. Indeed, by the end of 2022 33% of voters said immigration was one of the most important issues facing the country.

Yet the largest shift in public opinion has been on the economy. Evaluations of the impact of leaving the EU on the economy by the end of 2022 were much less favourable than they were six months previously. In the aftermath of a hike in
interest rates, a squeeze on the cost of living, and talk of possible recession, there has been an increase in the number of voters who believe that the UK economy is weaker as a result of Brexit – from 49% in January 2022 to a peak of 56% in October of the same year. Some allowances must be made given that October polling was conducted during the immediate aftermath of Liz Truss’s mini budget, and we do indeed see a decrease in this figure in December, following Rishi Sunak’s entry into Number 10.

Despite the slight shift to the contrary in December, people have generally become more pessimistic about the impact of Brexit upon the economy. This shift has been key to the increased popularity of ‘rejoin’ in the latter half of 2022. As analysis by UKICE has shown, a person’s view of the economic consequences of being outside the EU is the factor most likely to change their minds about how they voted in 2016. Therefore, Leave voters who believe the economy is now worse as a result of Brexit are very likely to say they would now vote to rejoin the EU. Indeed, 66% of Leavers who would now join the EU say that Brexit is responsible for weakening the UK’s economy.

Perceptions of Brexit and its consequences in each of the four nations of the UK have become increasingly polarised since 2016. This is not surprising given the results of the referendum in each of the four nations; England voted most strongly for Brexit, followed by Wales, whereas 56% voters in Northern Ireland chose to Remain, as did over 60% of those in Scotland. As a result, perceptions of Brexit as a ‘negative’ thing are much more concentrated in certain parts of the country than others – when asked if Brexit has had a negative impact on the economy, 74% of respondents in Northern Ireland agree, as do large proportions of voters in Scotland (66%) and Wales (48%). This is compared to an average of 43% in England.

More widely, the electorate increasingly drew a link between Brexit and their day-to-day economic circumstances. By the end of 2022, 60% of voters said that their cost of living had increased as a result of not being a member of the European Union. 38% believe that Brexit has negatively affected their personal finances – up 8% from March of the same year. This has contributed to a more negative perception of life outside the EU among the public at large, regardless of how they voted in 2016.
Politics and parties

The domestic implications of Brexit have been as significant, if not more so, than its impact on UK-EU relations. Successive elections since 2016 have revealed the degree to which the decision to leave the European Union has accelerated a realignment of British politics. This was made most clear in 2019, when the Conservative Party attracted the support of 74% of Leave voters. And, even though the relationship between how people voted in 2016 and party preference weakened thereafter, by the end of 2021 (as the Partygate scandal was breaking) it was still as strong as it had been in 2017. In other words, the electoral base of the Conservative Party has been transformed from one that was moderately Eurosceptic to one that is predominantly so.

The nature of their electoral base, and divisions in the Labour electoral coalition over Brexit, help explain why the Conservative government has continued to pursue a firm line with the EU, not least when it comes to negotiations over the Protocol. As important, if not more so, have been divisions within the parliamentary party itself. As the deputy editor of the influential Conservative Home website put it, ‘the parliamentary party is now so fractious that any one of a number of increasingly well-organised caucuses could hold government business to ransom.’ The European Research Group (ERG) is widely thought of as a group capable of doing this should they discern any softening of the government’s approach to Brexit.

The two key variables in terms of policy going forward are the preferences of the Prime Minister himself, and his ability to secure the backing of his party should he choose to compromise with the EU. As for the first, it is widely thought that it was Rishi Sunak who, as Chancellor, persuaded Boris Johnson not to trigger Article 16 of the Protocol because of fears about possible retaliation by the EU that might weaken the economy even further – a ‘business before Brexit’ approach. The new Prime Minister has also reiterated – as did both his predecessors – that he is in favour of a negotiated settlement.

On the other hand, Sunak was a staunch Brexit supporter even prior to the 2016 referendum, and has gone on record to say that the operation of the Protocol was posing challenges to the stability of Northern Ireland. Perhaps more importantly, he must lead a fractious Conservative Party. He has retained the services in the Northern Ireland Office of two prominent Brexit-backers from the Liz Truss administration in the form of Steve Baker and Chris Heaton-Harris. Opinions vary as to whether this signals either an easing of their stance or their determination to ensure, from within government, that the Prime Minister does not soften his.
Equally, when it comes to the party more broadly, it is hard to gauge the degree of freedom of manoeuvre the Prime Minister will enjoy. Through the bitter parliamentary debates over Brexit between the referendum and the election of Boris Johnson as party leader, the ERG wielded unrivalled influence in ensuring that Theresa May was unable to gain approval for her WA, which they thought entailed a close future relationship with the EU. That group was at the forefront of attempts to rewrite or renege on the Protocol.

Now, however, it is not clear how united the group is behind that objective. There are signs of division - the ERG could not decide on a leadership candidate to support in the most recent leadership race - and some members have been given government positions, as noted, while others such as Jacob Rees Mogg have left government. Finally, it is not obvious to what extent the relationship with the EU has the same mobilising power as it once did. Other issues - the cost-of-living crisis, relations with China and net zero prominent among them - have risen in salience and other groups have sprung up to reflect this. All this being said, it was interesting to see how quickly the government moved to quell fears about a possible softening of the Brexit deal following reports that a ‘Swiss-style’ arrangement was under active consideration. Moreover, the return to Number 10 of Oliver Lewis as an ‘unpaid intermediary’ with the ERG hardly implies the declining influence of the group.

It is too soon to say whether a compromise to the stand-off over the Protocol is either desired or deliverable by the government. What is clear, however, is that, given the Conservatives’ electoral base, it is hard to imagine any substantive deepening of relations that go beyond the terms of the TCA should the Conservatives defy the odds and form a government after the next election.

As for Labour, Keir Starmer declared in a speech this summer that the party had claimed the centre ground of British politics, which was not ‘a mushy place of compromise but a place driven by purpose.’ He proceeded to outline a mushy compromise on Brexit - eschewing single market or customs union membership, arguing that nothing about revisiting those rows ‘will help stimulate growth or bring down food prices or help British businesses thrive in the modern world.’ Rather, his plan to ‘Make Brexit Work’ entailed ‘sorting out the Northern Ireland Protocol’ - through rebuilding trust and signing a veterinary agreement for agri-products that would eliminate a large proportion of the border checks between Great Britain (GB) and Northern Ireland (NI).

Beyond this, however, there was precious little of any substance. Talk of breaking down barriers to trade is all well and good, though such change would only
marginally impact on the trading relationship – the Treasury’s own analysis made clear that the bulk of the economic impact of Brexit stems from the decision to leave the single market. Steps short of this will have only a relatively minimal impact on trade and hence on the economic impact of Brexit on the UK. It is far from clear, moreover, that any proposals made by a Labour government would be acceptable to the EU. Proposals to enhance mobility or break down trade barriers will come at a price, and there is no guarantee Brussels will accept them. Equally, while a more positive tone would certainly ease negotiations, we are still short of knowing the practical steps a Labour government would take when it comes to making the Protocol work, nor how it would sell a compromise to the Democratic Unionist Party (DUP). Equally, while Labour have spoken about the need for closer security ties with the EU, it is again not at all clear what precisely this would entail, or what impact it would have.

In the longer term, it is certainly possible that a Labour government, whilst initially cautious in attempting to move beyond the TCA, becomes bolder as the economic impact of Brexit becomes clearer and if public opinion continues to evolve as it has of late. Should the latter engender what some have called a ‘tipping point’ in attitudes, it is certainly conceivable that a Labour government would be more radical in seeking to move beyond the current limited trade deal, perhaps even considering membership of the customs union or single market.

For the time being, however, while the Conservative position remains as it was, caution seems the name of the game for the Opposition. As the standoff over the Protocol continues, public opinion about Brexit seems to be shifting, not least as a result of the ongoing cost-of-living crisis. Yet politics seems far less changeable. Indeed, it is striking the degree to which the two main parties have failed to reconsider their attitudes to Brexit. It is within this context we must now look to the future.
WHERE DO WE GO FROM HERE?

While domestic public opinion would indicate that there may be openness to a closer relationship with the EU on some issues, and the economic impacts of the current settlement have also become ever more clear, the possibility of radical realignment under the current framework is limited. Even though the TCA will be reviewed in 2025, it will not be up for full-scale renegotiation, and the desire for fundamental change appears largely absent on both sides. The EU will have little incentive to change the status quo, whereby the TCA provides for relatively open trade in goods (in which it has a surplus with the UK), but more restrictive terms on services (where it has a deficit). Meanwhile, the UK government’s uncertain political position, the need for a general election by January 2025, as well as fluctuating public opinion do not speak in favour of a clear shift in any direction.

Thus the TCA, WA and Northern Ireland Protocol will almost certainly continue to set the framework for UK-EU relations in the short to medium term. Yet there is some scope for some incremental changes in the relationship, which this section explores. Some of this change is optional, resting on political will, while other elements are inevitable. Moreover, some changes can be made quickly and/or unilaterally, while others are longer-term questions which entail formal negotiation and agreement.

In this section, we explore these possibilities. We first outline upcoming deadlines within the TCA, and matters not yet resolved that will have to be. We then identify some areas of the wider relationship where the UK can take unilateral action to change the state of play without relying on the EU to take steps. We also look for opportunities for deepening the TCA, either where it provides for enhanced cooperation, or through practical adjustments. We finally look to areas beyond the TCA, where both sides might want to work together more closely.

Throughout, we highlight both opportunities but also the key constraints on further cooperation. The issues we outline are not exhaustive, but rather representative of the scale and breadth of challenges that characterise the UK-EU relationship. Of course, any conversation about how the relationship could develop sits against the backdrop of ongoing domestic tensions – Leave/Remain divisions among voters, a parliamentary Conservative Party riven by divisions, and Labour’s uncertain position on the EU – and the political impasse over the Northern Ireland Protocol. We cannot predict how any one of those issues will evolve in the coming years, but the cases laid out below indicate where and how the UK-EU relationship could develop over time should the wider political backdrop permit.
Two important decisions relating to market access for UK and EU financial services are set to expire soon. The UK ‘Temporary Permissions Regime’ (TPR) - allowing EEA-based financial services to maintain their ‘passporting’ rights and enjoy straightforward access to the UK market - expires on 31 December 2023. An EU ‘equivalence’ decision - permitting UK-based clearing houses (which reduce risks in derivatives trades) to service EU companies - expires on 30 June 2025. It is up to the UK and EU respectively to decide what level of access they want to grant each other after this point, and the signs point towards less integration of financial services markets in the future.

If the UK’s Financial Services and Markets Bill becomes law, it will repeal some regulation inherited from the EU, including the Solvency II Directive which is central to EU alignment. The Bill reflects an active choice made by the UK government to de-align from EU financial services regulation, with the aim of boosting international competitiveness. This does not preclude the UK from extending the TPR (if, for example, the government assesses that it might attract extra business from EU firms) but it might not want to maintain the current asymmetrical situation where EU firms have much greater access to the UK market than vice-versa. In line with its wider strategy, the government may instead seek to increase mutual access to other markets like Singapore or the US.

The Labour Party has said it would seek to obtain regulatory equivalence decisions for financial services from the EU. However, this relies on the EU granting the decisions, even if Labour were to win the next election, the current incumbents will likely have passed reforms distancing the UK from EU regulation, therefore reducing the chance of an easy decision on the equivalence of UK regulation. That being said, however, there is a political element to decision-making around equivalence - the EU has granted the US 21 equivalence decisions despite it being less aligned to EU regulation than the UK. Consequently, a wider political rapprochement might pave the way to greater regulatory cooperation.

However, in December 2022, the EU published proposals designed to make EU companies clear a greater share of their derivatives trade in the EU (rather than UK) because it sees a ‘strategic vulnerability’ in relying on a clearing market over which it has no regulatory oversight. This suggests there is little chance of the equivalence decision for UK-based clearing houses being extended after 2025.
**ELECTRIC VEHICLES**

*Increase in the required proportion of an electric vehicle which must originate from the UK or EU to qualify for tariff-free trade (January 2024 and 2027)*

31 December 2023 will see the expiry of a grace period which reduces the proportion of an electric vehicle’s parts which have to be made in the UK or EU to qualify for tariff-free trade under the TCA’s ‘rules of origin’. At present, 40% of the content of an electric vehicle and 30% of the content of its battery *must originate* from the UK or EU. From 2024, these increase to 45% and 50% respectively, and from 2027, it must be 55% for both. Moreover, engine batteries themselves *have to be assembled* in the UK or the EU for the vehicle to qualify for tariff-free trade.

Manufacturing groups on both sides have raised *concerns* about insufficient domestic battery making capacity for them to meet these new requirements, with the concern that failure to find an agreement on extending grace periods could lead to tariffs on the trade of electric vehicles, increasing costs for both businesses and consumers.

**PERSONAL DATA PROTECTION**

*Expiry of EU adequacy decision allowing a free exchange of personal data with the UK (30 June 2025)*

The EU’s ‘adequacy’ *decision* - acknowledging that the UK’s personal data protection regime provides an essentially equivalent level of protection to the EU’s own ‘GDPR’ - expires on 30 June 2025. The decision allows for a free flow of personal data between the UK and EU, meaning businesses do not have to include clauses on data transfers in contracts that they sign (which the UK government *estimates* would have cost UK businesses trading with the EU £1.4bn over five years).

There is thus a strong economic incentive for the UK to ensure the decision is renewed, but the power to do so rests with the EU alone. The 2025 ‘sunset clause’ is unusual, and reflects EU nervousness over potential UK divergence from GDPR (which it *proudly calls* the ‘strongest’ such regulation in the world). The EU, in fact, has reserved the right to end the decision early if the UK ‘deviates from the level of protection currently in place’. GDPR was one of the first policies the UK *government suggested* reforming after Brexit, arguing it is overly-prescriptive, especially for small businesses.
The easiest way for the UK to ensure adequacy is renewed is to not diverge from EU standards. The July 2022 Data Protection Bill promised to ‘update and simplify’ UK regulation, yet it remains unclear exactly what that might mean in practice. In theory the UK might be able to undertake some minimal divergence without imperilling the adequacy decision (as it also brings an economic benefit to the EU). However more significant reform is likely to see the adequacy decision retracted. Even if no regulatory divergence occurs, the EU could in theory refuse or threaten not to renew the decision, perhaps as a bargaining chip in other negotiations with the UK.

**FISHERIES**

*Expriy of agreement around EU fishers’ access to UK waters (June 2026)*

Access to fishing stocks in UK waters was a major issue during the TCA negotiations. The final agreement saw 25% of EU fishers’ existing quota share for UK waters gradually transferred to the UK over a five-and-a-half-year period up to 30 June 2026, with access granted through a licensing system. This means that the agreement will have to be renegotiated from 2026 via annual consultations which could provoke further tension in the bilateral relationship.

There have already been some high-profile disputes between the UK and France triggered by the failure of some French fishers to obtain licences. Subsequently, France threatened to blockade ports and even cut off energy supplies. Given the political salience of fisheries, the UK may have an incentive to take back a larger quota share within its own waters, having obtained an increase of less than 10% during the TCA negotiations.

However, the wording of the TCA implies no further catch-share increase for the UK after 2026. Should the UK attempt to secure such an increase, the EU could reduce reciprocal fishing access and place tariffs on imports of fish or other goods, or ultimately suspend other parts of the TCA. Future disagreements on access would ultimately be resolved through arbitration, with the possibility of retaliatory trade measures in extremis.
**ENERGY**

*Expiry of provisions around energy cooperation (June 2026)*

The TCA’s ‘Title VIII’ provisions on energy also expire on **30 June 2026** unless the UK and EU agree to roll them over or update them. Though the UK and EU have independent energy policies, their markets are highly integrated through interconnectors, and the TCA contains a commitment to optimised use of shared infrastructure, as well as non-discrimination and fair competition in energy markets. This largely maintains the pre-Brexit status quo, with energy flowing relatively freely between the UK and EU.

The expiry of the energy provisions coincides with the end of the fisheries agreement. This seems to have been a deliberate choice by the EU, to signal that any UK attempts to curtail its fishing access could result in disruptions to energy supply. Clearly, the context of the relationship has been significantly altered by the Russian invasion of Ukraine and subsequent surge in global prices. The potential costs of a UK-EU energy war are now much higher, and there is a clear mutual interest in maintaining shared supplies to keep prices down.

The recently signed memorandum of understanding between the UK and the North Seas Energy Cooperation Group (made up of 8 EU member states plus Norway) – on offshore wind development in the North Sea - will also expire in June 2026 unless the Title VIII provisions are rolled over. This underlines the shared strategic interests the UK and EU have in enhanced cooperation on energy capacity (see next section for more details) which creates a greater incentive to ensure Title VIII is renewed.

**UK temporary easements**

There are a range of areas where the UK has not fully implemented new checks or regimes necessitated by the TCA. These decisions were taken to temporarily ease potential disruption, but at some point more definitive decisions on how to manage the issues will need to be taken. We highlight three here: the UK’s acceptance of the EU’s ‘CE’ manufacturing mark, the deadline for registrations under the ‘UK REACH’ chemicals regime and the full implementation of customs checks on imports by the UK.
UKCA MARK

‘CE’ mark will no longer be accepted in GB, instead all products newly placed on the GB market must carry ‘UKCA’ mark (December 2024)

From **31 December 2024**, goods with a ‘CE’ mark (used by the EU to show a product meets the necessary health, safety and environmental standards) will no longer be accepted on the GB market. Instead, products newly placed on the market (including components in supply chains) must carry a ‘UKCA’ mark which denotes largely equivalent standards but is granted by a UK body rather than an EU one.

The deadline has already been repeatedly delayed due to a lack of regulatory capacity to test and authorise products with a UKCA mark, yet there are good reasons to think those challenges will not have been fully overcome by December 2024 (for example, there is only one UK testing facility for radiators, meaning it would in theory take 75 years to retest them all). The risks are that many goods will not be authorised with a UKCA mark in time and that many foreign manufacturers will not bother to obtain one at all – meaning vital products disappearing from shelves and supply chains.

If many goods aren’t UKCA-authorised by 2024, the UK government will have to make a choice about whether to grant a further deadline extension. Yet it may also need to consider whether the current practice of repeatedly extending the deadline is sustainable. There appears to be no easy fix to the present capacity problems, meaning the cliff-edge is likely to be set back again and again, creating uncertainty for businesses and making the GB market a less attractive place to invest.

One alternative approach is to continue accepting CE marked-goods – alongside UKCA-marked ones – in perpetuity, thus removing the cliff-edge altogether. This was mooted last year by Jacob Rees-Mogg as Brexit Opportunities minister, but Number 10 distanced itself from the suggestion. It would effectively mean the UK outsourcing much of its quality control to EU bodies. Another alternative is seeking an agreement on mutual recognition of conformity assessments with the EU, though this would mean active alignment with a range of EU standards.
**CHEMICALS**

*EU-registered chemicals must be re-registered under new UK database, UK REACH (October 2026)*

There is a similar story on chemicals, where a new ‘UK REACH’ regulation largely replicates the EU’s own regulatory regime. Like the EU regime, UK REACH uses a database of authorised substances, and the Health and Safety Executive is currently overseeing the process of getting EU-registered substances re-registered under UK REACH. The deadline for the majority of registrations was set for 27 October 2023 but the UK government in November 2022 announced its intention to put this back by three years to 27 October 2026. Separate deadlines for substances imported in lower quantities and newer ‘candidate’ substances have been extended to 2028 and 2030.

The main reason for the deadline extension was major capacity issues in carrying out registrations for UK REACH, which could have meant many substances not being authorised for use in Britain in time for the October 2023 deadline. While the extension eases the immediate pressure, the administrative process remains very expensive for companies, with Defra estimating that the total cost to business to be at least £2bn. The new deadline extension affords the UK government (current or future) time to consider possible alternative models for the transitional arrangements, to bring costs down.

The current government has ruled out the possibility of a ‘Swiss-style’ system where full registration data is not required for chemicals already registered with EU REACH. This would reduce costs for businesses but would require Great Britain to remain aligned to EU chemicals regulations (Northern Ireland already is under the Protocol). Not aligning with EU standards could, however, mean the UK becomes a dumping ground for unwanted chemicals, especially as the EU had plans to restrict thousands of substances (though the future of that agenda is now very uncertain).

**CUSTOMS CHECKS**

*Implementation of UK controls on imports at GB-EU border*

The UK has unilaterally postponed the introduction of a range of import controls at the GB-EU border required of it under the TCA. These include safety declarations for imports; checks at border control posts on live animals and some
plants; more detailed health certification and checks for animal- and plant-derived products; and restrictions on certain chilled meat goods.

There is currently no clear indication as to when the UK might introduce these controls. However, it will be difficult to put the decision off indefinitely, for a few reasons. First, the present state of affairs creates a trade asymmetry. EU businesses exporting to GB are subject to less stringent controls than GB-based ones exporting in the other direction. This means GB exporters face greater regulatory barriers to trade and are thus at a competitive disadvantage. Second, farming and veterinary groups have expressed serious concerns about the risk of letting animal and plant diseases into Britain through an ‘effectively open’ border. Third, while the EU is tolerating the current situation (due in part, perhaps, to the competitive advantage for its businesses) it could in theory seek remedial action against the UK for failing to uphold its obligations under the TCA. Moreover, as the TCA is reviewed in 2025, the EU may well raise this issue in discussions with the UK government.

**Unilateral action**

There are some areas where the UK does not need agreement to act but could take unilateral decisions to amend its relationship with the EU.

**SCHOOL VISITS**

*The UK decision to leave the EU’s ‘list of travellers’ scheme and to stop accepting EEA ID cards as travel documents has contributed to a major decline in EU school trips to the UK*

The UK has opted to no longer adhere to the EU ‘list of travellers’ scheme, which allows non-EU/EEA citizens to travel visa-free as part of a school group from an EU country. As a consequence, non-EU/EEA national children may need a visa to travel to the UK as part of a school group. In addition, the UK no longer accepts national identity cards as part of the new UK border regime, meaning EU/EEA school children require a passport to travel to the UK (which many do not have, as a national ID card is sufficient to travel within the EU). Both measures make it more complex and expensive for an EU/EEA school group to travel to the UK.

The result has been a significant reduction in EU students visiting the UK. A survey of major EU student tour operators by the Tourism Alliance found the number of students visiting the UK fell by 83% from 2019 to 2022. Though
some of this is down to Covid-19, the drop in EU student visits to Ireland (29%) and the rest of the EU (32%) was much lower. Bookings for UK trips in 2023 are expected to be 42% of 2019 levels, compared to 95% for Ireland and 90% for the rest of the EU. The Tourism Alliance estimates the reduction in trips to have cost the UK economy £1.5bn, while the loss in soft power and people-to-people links is incalculable. The UK opted to stop accepting EEA ID cards because it considers them more vulnerable to fraud.

UK school groups are also facing barriers as the UK is no longer on the ‘list of travellers’ scheme. UK school trips are not automatically subject to visa-free entry. Some EU states such as France offer country-based visa exemptions for UK school groups including non-UK/EU/EEA nationals, but this is country-by-country and may disincentive schools from travel. From 2023, UK nationals including children will need to apply online for an ‘ETIAS’ visa-waiver to enter the EU Schengen Zone. EU travellers to the UK will need a similar ‘ETA’ under plans for a fully digital UK border by 2025. It is up to the UK and EU to prepare travellers for the new requirements, or many may find themselves turned away at the border once the new requirements kick in.

**STUDENT MOBILITY**

*Absence of ‘inward’ placements for foreign students to study in the UK under the new ‘Turing’ scheme is likely to damage UK soft power*

EU applications to UCAS fell 40% in 2021 and another 19% in 2022. The reduction in incoming students relates to new visa requirements for EU students as well as higher fees to study in the UK and is exacerbated by the design of the UK’s new ‘Turing’ scheme for international student placements, which replaces the EU’s Erasmus+.

Turing offers funding to British students for a range of international study placements around the world, whereas Erasmus+ is confined to Europe. However, funding is less generous per head and, crucially, there are no ‘inward’ opportunities for overseas students to take up study placements in the UK.

Northern Ireland remains part of Erasmus+ under an agreement with the Irish government, while Wales’s own ‘Taith’ scheme will provide inward placements for foreign students and Scotland is planning something similar – but English universities have no access to any such platforms.

Though hard to quantify, the impact on UK soft power is likely to be significant.
Study opportunities in the UK are a key means for the UK to enhance its reputation and build cultural links with young people worldwide. Foreign students with connections to the UK are more likely to return in future to live, travel, work or invest. Meanwhile, the UK’s decision to withdraw from the European University Institute (EUI) – apparently due to disputes over its decision-making powers – diminishes British students’ access to a highly prestigious postgraduate and post-doctoral research centre which also builds links with European academics and institutions.

It is possible to associate with Erasmus+ as a non-EU country (as for example is the case with Norway, Iceland, North Macedonia and Turkey), or to take part in elements of the project through bilateral agreement with the EU as is the case with more than 60 countries worldwide.

**Deepening the Trade and Cooperation Agreement**

**CLIMATE**

*Potential to link UK and EU emissions trading schemes and any future carbon border adjustment mechanisms*

The TCA makes the climate an ‘essential element’ of the agreement between the UK and EU. Environmental regulations form an important part of the treaty’s level playing field provisions. The TCA affirms the joint UK-EU commitment to achieve economy-wide climate neutrality by 2050, and also provides for broad facilitation and cooperation provisions. Each side can set their own policies, however, as appropriate to achieve the goals set out.

In May 2021 the UK launched its Emissions Trading Scheme (ETS), largely mirroring the EU ETS to which it formerly adhered. Both the UK and EU ETS cap the total level of permitted carbon emissions within selected industries, and businesses must buy a ‘permit’ for each unit of their emissions. The carbon price is set through a trading system for participating companies. The UK and EU schemes are for now operating largely in lockstep, covering similar sectors with similar carbon permit prices. According to the TCA, both sides will in future give ‘serious consideration to’ linking them (i.e. allowing the exchange of credits).

Failure to do so implies significant potential costs. Divergence between the UK and EU schemes or in carbon permit prices could, for example, prompt concerns about unfair competition, leading to political tensions and the possibility of trade retaliation by either side. Most significantly, linking schemes would give UK
businesses access to a carbon market ten times larger than its own, and a failure do to so will almost certainly create new barriers to trade once the EU implements its carbon border adjustment mechanism (CBAM), which begins a test period from October 2023 (though no date for full implementation has been set).

The EU CBAM applies tariffs to imported goods across a range of sectors, to ensure they pay the same price for their carbon emissions as EU-produced ones do under the ETS. This means EU importers of CBAM-covered goods from Britain will have to obtain data on the good's carbon emissions, the carbon price which has been paid, and purchase additional CBAM certificates if necessary. This is a potentially costly and time-intensive process which would be another drag on UK-EU trade, and the obvious way to avoid it is through linking the UK and EU ETS systems to create a common carbon price, likely exempting the UK from CBAM requirements.

Another major challenge here is Northern Ireland. The EU is likely to argue that Northern Ireland must apply the EU CBAM at least in part, because it adheres almost entirely to the UK ETS, not the EU one. Thus, if it does not apply the CBAM, imported goods will be able to cross freely into the EU single market via the Irish border without paying the correct CBAM tariff. The alternative would be Ireland applying the EU CBAM on imports from Northern Ireland, but this would undermine the open Irish border guaranteed by the Protocol.

The UK has insisted the EU would need to seek consent before applying the CBAM in Northern Ireland, which would create another series of problems. First, CBAM application in Northern Ireland could be considered unfair trade discrimination under WTO rules. Second, it would mean new controls on goods moving from Great Britain to Northern Ireland. Third, it does nothing to address the question of how the correct CBAM tariff is applied to goods manufactured in Northern Ireland before crossing the Irish border.

Ultimately, this means the UK and EU must have urgent and frank conversations to sort out a potentially very messy situation which could cause a large political rift. The simplest solution by far would be integration of the UK and EU emissions trading schemes, or even the creation of a joint UK-EU CBAM (given the UK is presently consulting on its own plans).
Energy has become a major priority for both the UK and EU in the past year due to surging global prices. The TCA commits both sides to optimised use of shared infrastructure, e.g. gas and electricity interconnectors which run from England to France, Belgium and the Netherlands. This has so far worked largely as intended, with strong cooperation between UK and EU grid operators. The EU’s achievement of near-full gas storage prior to the winter of 2022 was aided significantly by the UK, which provided about 15% of overall supply. However, there are grounds to deepen cooperation further.

There has been some concern about how slow the two sides have been in developing new arrangements for improving the efficiency of transmission, despite this being defined as a ‘matter of priority’ by the TCA. Following Brexit, the UK left the EU’s ‘Internal Energy Market’ (IEM) meaning it is now no longer part of the EU’s single integrated auction market for energy trades, instead relying on a more complex set of multiple auctions. One consultancy claimed this inefficiency would increase British wholesale energy costs by 0.7% last year, but the progress of a Department for Business, Energy and Industrial Strategy (BEIS) consultation on addressing this is unclear. There are also suggestions that the EU is unwilling to discuss enhanced provisions for energy trading while the UK pushes ahead with the Northern Ireland Protocol Bill.

Separately, Ofgem hopes to significantly increase Britain’s interconnector capacity from 8 to 18 gigawatts, more than doubling the pipeline flows to continental Europe, but the building of such infrastructure requires a clear regulatory underpinning which is presently lacking in the TCA. However, one notable step has now been taken regarding offshore wind capacity, where the UK and EU share similar targets (respectively 50 GW and 60 GW of capacity by 2030) and a potentially very fruitful resource in the North Sea.

In December 2022, the UK signed a memorandum of understanding (MoU) with the North Seas Energy Cooperation (NSEC) group - made up of eight EU member states and Norway - whose principal aim is to build 260 GW of offshore wind capacity in the North Sea by 2050. The MoU sets out an intention to jointly facilitate ‘cost-effective and sustainable development...of offshore renewable energy, in particular wind, through technical and expert dialogue, information exchange and sharing of best practices’.
The MoU expresses a ‘political intention’, which does not create any legal rights or obligations, and states the aim that any questions around its implementation, interpretation or application are resolved through mutual agreement rather than reference to any tribunal. The MoU runs initially until 30 June 2026 (when the energy chapter of the TCA expires) and its application after that point is subject to the re-application of the TCA energy provisions. It is thus a rare and notable case of the UK and some EU members having agreed to deepen cooperation beyond the initial framing of the TCA, though it remains to be seen how this cooperation will work in practice.

**ENERGY MARKETS**

**Ensuring energy market reforms do not harm efficiency of transmission or Single Electricity Market in Ireland/Northern Ireland**

Another major challenge in the energy space is the fact that the UK and EU are both considering how to reform their energy markets in order to ‘decouple’ the price of electricity from gas. At present, both pricing systems work in a way that means the high cost of gas sets the price of energy across the grid, even though non-gas powered electricity is much cheaper to produce. Establishing a new price-setting structure, less defined by the price of gas, could therefore pass on significant savings to consumers.

A number of potential solutions have been mooted on both sides, ranging from subsidising the cost of gas-powered electricity, to creating separate prices for different sources of energy, to cheaper rates at times of low demand or high capacity. The upshot is that the UK and EU might undertake significant but separate reforms of their energy markets, creating divergence in how prices are set or subsidised. This potentially endangers the smooth flow of energy across shared interconnectors, either because price-setting mechanisms are less compatible, rendering exchanges less efficient, or because concern about subsidised energy ‘leaking’ to one another leads to curtailment of supply.

An additional challenge, meanwhile, is the island of Ireland. Northern Ireland and the Republic of Ireland are part of a single electricity market based on common supplies. If UK and EU electricity market policies diverge, deciding whose regulation should apply where on the island of Ireland may become a very difficult political question. A UK-EU specialised committee on energy already exists, and this body may have to work hard to ensure that upcoming reforms are as compatible as possible, so as not to endanger interconnector flows and preserve the status of the Single Electricity Market.
Security and Borders

Potential to increase UK-EU engagement on justice and policing matters under present TCA arrangements, through new systems of dialogue and data-sharing

The TCA provides for security cooperation between law enforcement and judicial authorities in criminal matters, reflecting a joint desire to combat organised crime and terrorism. An extradition process replacing the European Arrest Warrant, as well as provisions for sharing relevant data (e.g. passenger data, DNA, fingerprints and vehicle registration) are provided in the TCA.

However, the UK’s departure from Europol and Eurojust – the EU’s agencies for law enforcement and criminal justice cooperation – mean the UK has limited ability to shape the thinking of bodies in which it was previously an important player, and is instead reliant upon more informal cooperation through contact points stationed at these institutions (which itself can be undermined by a lack of goodwill in the wider political relationship).

Commentators have argued that the TCA represents a ‘security downgrade’ as it has lost access to the Schengen Information System II (SIS II), which provides alerts on wanted and missing persons and property, and is directly accessible to police officers and other authorities. The UK was the third-most frequent user of SIS in 2019 but has lost access to 40,000 alerts post-Brexit, and instead relies upon notices from Interpol’s I-24/7 database. This does not give frontline officers real-time alerts and the UK is dependent on the goodwill of EU countries to make the additional effort to key SIS data into the Interpol system.

However, the terms of cooperation laid down by the TCA can be expanded. One step could be for the UK to seek enhanced working arrangements for its contact points in Europol and Eurojust, for example novel models of information-sharing which go beyond what the EU has with other third countries (as an acknowledgement of the important role the UK plays in the European security architecture). Another would be to persuade the EU to improve the speed and reliability with which data is shared into I-24/7. Underlining cooperation on matters of security is the EU’s hard line on human rights protection: the TCA explicitly conditions continued security cooperation on respect for the ECHR.
**DIGITAL**

*Potential to revive official coordination and cooperation on digital policy matters, which the EU has paused due to tensions over the NI Protocol*

The TCA has relatively little to say about digital policy outside of trade, yet it leaves space for some formal cooperation between UK and EU regulators. There is a strong case for such action given their similar policy trajectories. The EU’s Digital Services and Digital Markets Acts both target big tech monopolies, respectively aiming to increase their social obligations and diminish their market dominance; and *strikingly similar ambitions and policy tools are found* in the UK’s Online Safety Bill and draft Markets, Competition and Consumer Bill.

Given these common aims, there could be significant mutual benefit in UK and EU regulators sharing best practice and information (for example relating to anti-competitive practices) and pursuing coordinated action against tech firms which flout their rules. Indeed, the UK and EU *have coordinated* parallel investigations into anti-competitive behaviour since Brexit, and the outgoing chief of the UK Competition and Markets Authority said that *it had been* working with the EU Commission ‘as closely as it can under the current institutional framework’.

However, more recently the EU has *stopped* all official coordination and cooperation with the UK on digital policy, asking officials to cease sharing information with UK counterparts in areas such as online content moderation, personal data protection and addressing the dominance of big tech. The decision was taken due to wider disputes over the Northern Ireland Protocol, which the EU *says* ‘undermines the trust that is necessary for bilateral EU-UK cooperation’. There is much to be gained from reviving digital policy cooperation, if Protocol tensions can be soothed.

**SCIENCE AND RESEARCH**

*Potential UK association to the Horizon Europe research programme, which the EU is currently blocking due to tensions over the Northern Ireland Protocol*

Under the TCA, ‘the Parties have agreed that the United Kingdom participates’ in a range of EU programmes including Horizon Europe, Copernicus and Euratom which respectively allow for collaboration in research and innovation, earth observation and nuclear activity. The TCA does not, however, specify when the
UK’s association should be agreed, and the EU has so far refused to finalise it - apparently due to wider tensions around the Northern Ireland Protocol.

The UK has historically been a major beneficiary of Horizon, receiving the second-highest amount of funding over the course of the last funding programme (2014-2020), though as an associate member it would not be able to receive more than it contributes. Horizon nonetheless offers an unparalleled platform for research collaboration across its 40+ member countries, with its prestigious European Research Council funding pillar especially popular with researchers.

The UK government has committed to matching the funding for any researchers who have their Horizon grants cancelled, which guards to some extent against a sudden ‘brain drain’ of researchers moving to the EU to access Horizon funding awards. However, this ‘alternative’ funding plan cannot deliver the wider benefits Horizon offers, meaning the UK universities are likely to become less attractive destinations for researchers in future. The UK alternative does not carry the same prestige and opportunities for international collaboration, and UK-based researchers can only continue participating in Horizon-funded projects as third country partners, removing their ability to lead projects and make hires to support their work.

The EU also has something to gain from UK association with Horizon - given the quality of its scientific research base - yet it has so far not relented on the issue. The UK recently opened dispute proceedings over what it sees as a breach of the EU’s TCA commitments, but the best the UK can hope for is being permitted to take retaliatory action, not association to Horizon. Ultimately, future association rests on improved relations with the EU, particularly over the status of the Protocol.

**TRADE**

*UK-EU trade bureaucracy created by the TCA could be reduced through a mutual agreement on plant and animal health standards; the construction of ‘Border Control Posts’; and the linking of the EU ‘Single Customs Window’ to the UK’s ‘Single Trade Window’*

The TCA creates a range of new non-tariff barriers to GB-EU trade in terms of additional paperwork and checks which have to be carried out, and over half of SMEs surveyed by the British Chambers of Commerce said new customs procedures were a significant barrier to trade. There are, however, some actions the UK and EU could take to reduce these.
One option is signing a sanitary and phytosanitary (SPS) agreement, which aligns the UK with the EU’s animal and plant health standards. Currently, animal and plant-based goods are subject to health inspections when moving from GB into the EU and NI (though the UK is not fully implementing the reciprocal checks). This complicates trade for GB exporters, and puts them at a competitive disadvantage because they are subject to more stringent checks than their EU counterparts. The EU has previously suggested an SPS agreement as a means of breaking the impasse over the Northern Ireland Protocol, but there appears to be reluctance on the UK side to sign up to something which would hinder its freedom to reform regulations around gene editing and pursue trade deals with countries that don’t adhere to EU standards (such as the US). The Labour Party has indicated it is in favour of such an agreement.

The SPS problem is particularly acute for GB live animal exporters, because no ‘border control posts’ (BCPs) for carrying out the necessary veterinary inspections have been built in the EU, meaning they cannot export any livestock to the EU. An SPS agreement would negate the need for BCPs, but short of this the UK government could act unilaterally to fund BCPs (though it says responsibility lies with the EU), or seek to work with the EU on a common funding solution.

Another issue is the EU’s forthcoming ‘Single Customs Window’ (SCW), which streamlines customs processes for goods imports and exports by third countries. At present, goods can be subject to a range of declarations and checks, but under the SCW traders would submit all the required information once, into a single portal which all relevant EU-level authorities can access. This should simplify life for UK exporters, although political friction might arise if the EU asks the UK to implement the regime in Northern Ireland.

Moreover, the UK has its own plans for a ‘Single Trade Window’ (STW), which is similar in design to the EU SCW. These could in theory be made interoperable - meaning information submitted for an export declaration in the UK STW is automatically shared with EU SCW as an import declaration - further simplifying customs declaration processes. This is potentially of significant benefit to traders, but it relies on a high degree of trust and dialogue - from early on in their development - to ensure systems are interoperable.
Beyond the Trade and Cooperation Agreement

The TCA also contains some notable omissions, where it says little to nothing on how the UK-EU relationship should function. However, this does not preclude the possibility of the two sides signing agreements outside of the TCA, or working together via other fora.

DEFENCE AND EXTERNAL SECURITY

Potential for the UK and EU to sign a security and defence agreement

Defence and security is one such area. The ‘Political Declaration setting out the framework for the future relationship between the European Union and the United Kingdom,’ signed by Theresa May, had stated that the UK and EU ‘should establish a broad, comprehensive and balanced security partnership’. However, the government of Boris Johnson quickly decided not to pursue formal cooperation in these areas, which were excluded from the TCA.

This is not to say that there has been no cooperation. The UK and EU have signed an agreement to exchange classified information. Yet in general the UK government seems to have worked on the basis of an assumption that the EU does not add value to what individual member states or NATO are doing in the security realm. The EU was barely mentioned in the Integrated Review. Those collaborative ventures undertaken have tended to be with small groups of states and unconnected with the EU and its institutions. The Joint Expeditionary Force (JEF) is a UK-led initiative including Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, the Netherlands, Norway and Sweden. The Northern Group is a cooperative and consultative defence arrangement including Denmark, Estonia, Finland, Germany, Iceland, Latvia, Lithuania, the Netherlands Norway, Poland and the UK. London has also worked through the E3 (comprising the UK, France and Germany) which has broadened its scope somewhat post-Brexit, issuing statements on, for instance, the South China Sea. However, the potential for E3 cooperation is limited by French and German concerns that it may undermine the EU.

Under a Conservative government, there is little or no prospect of a formal cooperation agreement being signed with the EU, though there is certainly scope for enhanced cooperation with key partners – the planned UK-France summit might be an opportunity to revitalise security cooperation between Paris and London.
Labour, for its part, while signalling a desire to work more closely with key partners such as Germany, has also indicated that it would be interested in signing up to a security agreement with the EU. Such an agreement could be largely technical – similar, for instance, to the technical cooperation agreement that Switzerland has signed with the European Defence Agency. Or Labour could potentially look to negotiate a broader agreement with the EU on security and defence which would allow the UK to participate in EU discussions on foreign policy – including on sanctions – while being better informed of the thinking of EU partners on key foreign and security policy issues.

**SHORT-TERM MOBILITY VISAS**

*Potential to create short-term mobility arrangements for a range of service providers not covered by the TCA*

UK businesses have lost the automatic right to offer services throughout the EU. Short-term mobility for business purposes has now become very complex, with a variety of rules which are also subject to a range of exceptions and qualifications in member states which have opted out of the TCA rules on mobility.

Even beyond the complex categories and conditions, many workers fall outside the scope of the rules – notably performing and touring artists. British performing artists seeking to tour in the EU must comply with the multiple specific immigration and employment requirements of each EU country they visit, creating significant bureaucracy. Moreover, the movement of performance equipment and merchandise may be subject to TCA restrictions on goods exports, requiring export declarations and other customs paperwork, adding further to costs.

This creates significant barriers to entry for UK artists in their closest and thus most lucrative touring market. There were four times more performances by UK artists in the EU than any other foreign market in 2019, and 50% of British music creators’ export income came from the EU in 2021. While EU artists also face similar barriers to entry in the UK, the effect is asymmetric, with a greater negative impact on UK artists, because they must comply with 27 sets of immigration and employment rules, whereas EU artists face just one. The House of Lords European Affairs Committee has called for a new bilateral agreement, ‘to make mobility arrangements for touring performers, creative teams and crews’ and another to resolve issues around barriers to the transport of goods. The matter was discussed at the November 2022 UK-EU Parliamentary Partnership Assembly, but no such proposal has yet been brought forward.
The case of artists and musicians is indicative of similar challenges faced by many types of workers offering short-term services in the EU who are not covered by the TCA’s short-term mobility arrangements. Another issue – restrictions on the movements of UK-registered hauliers in the EU – was addressed by a new ‘dual registration’ system set up in July 2022, though industry bodies argued smaller haulage companies might not be eligible.

A youth mobility scheme could also be created (either mutually or unilaterally by one side) offering simplified access for young people to move between the UK and EU for work. While there are many possible agreements to be struck, each case will likely require a bespoke arrangement, and both sides will need to consider which, if any, to prioritise.

**MUTUAL RECOGNITION OF PROFESSIONAL QUALIFICATIONS**

*Potential to establish a UK–EU agreement on mutual recognition of professional qualifications, to facilitate the employment of UK-qualified professionals in the EU and vice-versa*

Since the introduction of the TCA, the UK and EU no longer have mutual recognition of professional qualifications, which meant a UK qualification was – in simple terms – accepted as valid to practise in the EU (and vice-versa) with limited administrative requirements or the need to requalify. This is relevant for, among others, doctors, lawyers, architects and engineers. British nationals who want to work in the EU now have to seek formal recognition of their qualification in whichever EU country they want to work in (and vice-versa).

The TCA contains provisions allowing the UK and EU to agree sector-specific mutual recognition of professional qualifications, though there are no specific timeframes for this. Sectoral bodies from both sides are also able to submit a joint recommendation for an agreement to the Partnership Council which governs the TCA. It is also possible for the UK to conclude bilateral agreements with individual member states outside of the TCA framework.

This patchwork, ad hoc system can make life more complicated for services firms (for example legal, engineering, accountancy or architectural) when it comes to moving staff between operations in the UK and EU, as it does for individuals seeking to move for work. The UK could seek a new mutual recognition agreement but, as the example of Switzerland shows, it would mean continually adopting a range of EU Directives related to professional qualifications.
Mutual recognition of conformity assessments

Potential to allow for the mutual recognition of UKCA and CE marks, though this would require continuous regulatory alignment in a range of areas

There is a risk that British consumers and manufacturers lose access to a range of foreign-produced goods in the coming years, because of the requirement from 2025 that all goods newly placed on the GB market (including as part of supply chains) are certified with a ‘UKCA’ mark. This is administered by a UK-based ‘notified body’ following a technical assessment to ensure that such goods meet the required legal and safety standards (see section ‘Deadlines and decisions’ for more detail). There is a risk that foreign manufacturers do not bother to go through the process of obtaining such a mark, meaning their goods would not be allowed to circulate in Great Britain.

One way to circumvent this problem is for the UK and EU to make an agreement on mutual recognition of conformity assessments. This would mean conformity assessments carried out under the UK regime would be considered adequate for placement on the EU market and vice versa.

However, as the example of Switzerland shows, this would mean continuous alignment with a wide range of EU regulations on product standards, even though the UK would have no say over the shaping of these rules. The EU-Swiss agreement covers what Switzerland calls the ‘most important product sectors (such as machinery, medical devices, electrical equipment, construction products, lifts, biocidal products’), but it might in theory be possible to strike a narrower agreement where mutual recognition was provided only in the sectors or product ranges facing the highest costs from the transition to UKCA (such as construction).

The Labour Party has indicated it would look for such an agreement if in government, but it is far from guaranteed that the EU would agree to it. After all, the negative impact of the UKCA mark will fall largely on the UK, and the EU may not trust the UK to uphold the standards it commits to under any agreement.
PASSPORT CHECKS

Potential for the UK and EU to agree on a more flexible framework for implementing the EU’s upcoming ‘Entry/Exit’ system for biometric border checks

The EU is planning to introduce a new electronic ‘Entry/Exit’ system for third country nationals, which will require fingerprint or iris scans. Set to be operational in May 2023, these new biometric checks will significantly increase the average passenger processing time on the British side of the GB-EU border, which have already become much slower under the post-Brexit border arrangements. The average check time has increased by 100% there while there has been only a 50% increase in passport booths at the Port of Dover – which led to queues of up to six hours at the start of the 2022 summer season.

The lack of capacity at Dover means officials expect the implementation of the Entry/Exit system at the GB-EU border to be delayed – but the situation could be improved significantly by greater dialogue between UK and EU authorities. The UK has a separate system which captures the necessary data for the biometric checks, but it is not able to use this for processing the new EU regime because EU law requires it be done by an EU official at the border. However, as highlighted by Peter Foster in the Financial Times, it might be possible to agree on a more flexible, risk-based approach to biometric checks using the UK systems. This might define cases where UK systems can be used in lieu of EU ones. Achieving this could negate some of the potential disruption stemming from Entry/Exit, however it requires much greater mutual trust that both sides will approach the system in good faith.

SMALL BOATS

Potential for further UK cooperation with France and/or the EU to prevent small boats crossing the Channel

From January 2021, the ‘Dublin III Regulation’ and all other aspects of the Common European Asylum System ceased to apply to the UK. This means that the UK is not able to use the Dublin Regulation to return asylum seekers who travel from EU member states, and there is no longer a legal route for refugee family reunion based on the Regulation.

Neither the UK-EU Political Declaration, nor the EU’s draft text for a
new partnership agreement with the UK specifically identified asylum, unaccompanied children, or readmissions as areas for future agreement or co-operation. However, a Joint Declaration attached to the TCA ‘take[s] note of the United Kingdom’s intention to engage in bilateral discussions with the most concerned member states to discuss suitable practical arrangements on asylum, family reunion for unaccompanied minors or illegal migration, in accordance with the Parties’ respective laws and regulations.’

Discussions since have not been straightforward, with a number of high profile public disputes between Boris Johnson and Emmanuel Macron over responsibility for the growing number of migrants crossing the channel in small boats contributing to a significant souring of UK-France relations. As of November 2022, there had been over 30,000 small boat crossings in the Channel that year, up from 24,000 the year before.

That same month the UK and France announced a new ‘joint strategy’ to stem the number of crossings, dismantle the groups facilitating the crossings, and deter migrants from making such crossings in the first place. This largely amounts to an upscaling of existing practices, with an expansion of joint intelligence sharing and around 40% more French patrol officers being deployed, with the UK providing around £60m in funding to France.

Given the scale of crossings, it remains to be seen whether these measures have the intended effect, and it may be that in time the UK and France come to see the need for a fundamentally recalibrated approach to border management, or seek greater engagement from other EU member states to reduce the flows of migrants through the EU to the northern French coast in the first place. In theory, the European Political Community could be a platform to develop such cooperation, but any new processes would fundamentally rest on a degree of cooperation and mutual trust which has long been lacking in the UK-EU relationship.
## AT A GLANCE: OPTIONS AVAILABLE TO UK AND EU

### DEADLINES AND DECISIONS

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>FINANCIAL SERVICES</strong></td>
<td>The UK’s decision to grant temporary passporting rights to EEA-based financial services, giving them simplified market access, expires on <strong>31 December 2023</strong>. The EU’s ‘equivalence’ decision, allowing UK-based clearing houses to service EU firms, expires on <strong>30 June 2025</strong>. It is up to the UK (in the first case) and the EU (in the latter) to decide whether to extend these decisions.</td>
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<tr>
<td><strong>ELECTRIC VEHICLES</strong></td>
<td>On <strong>1 January 2024</strong> and <strong>1 January 2027</strong>, there will be an increase in the proportion of an electric vehicle which must originate from the UK or EU to qualify for tariff-free trade under the TCA. UK and EU manufacturers are concerned they will not be able to meet these requirements due to a lack of domestic battery-making capacity. Any extension of the grace periods will require agreement between the UK and EU.</td>
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<tr>
<td><strong>UKCA MARK</strong></td>
<td>From <strong>31 December 2024</strong>, products newly placed on the GB market will require a ‘UKCA’ mark, and will no longer be able to use an EU ‘CE’ mark. This deadline has been repeatedly delayed due to a lack of UK capacity for granting UKCA authorisations, but these might not be resolved by 2024. If so, the UK will have to decide whether to opt for another deadline extension or, alternatively, to either continue accepting CE-marked goods in perpetuity or seek agreement with the EU on mutual recognition of conformity assessments.</td>
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<tr>
<td><strong>CHEMICALS</strong></td>
<td>The first deadline for chemicals to be registered on a new ‘UK REACH’ database, in order to be authorised for use in GB, has been extended by three years to <strong>27 October 2026</strong> due to capacity issues. However, the process of re-registering substances under UK REACH is estimated to be costing business over £2bn, and the UK government could use the extended deadline to consider an alternative model which reduces transitional costs: for example a ‘Swiss style’ system where full registration data is not required for substances already registered with EU REACH.</td>
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<tr>
<td>CUSTOMS CHECKS</td>
<td>The UK has unilaterally postponed the introduction of a range of import controls required under the TCA. This reduces trade bureaucracy for EU exporters to GB but puts GB exporters at a disadvantage (as they face more stringent checks going into the EU) and increases the risk of animal and plant diseases arriving through the border. The UK will have to decide how long it is willing to accept those drawbacks, and the EU itself could opt to take remedial action against the UK for failing to uphold its obligations under the TCA.</td>
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<tr>
<td>PERSONAL DATA PROTECTION</td>
<td>The EU’s adequacy decision, allowing a free flow of personal data between the UK and EU expires on 30 June 2025. The EU could opt to extend the decision (potentially indefinitely) if it deems the UK’s data protection standards to still be equivalent to its own. Should the UK diverge from the EU’s GDPR regulation, the EU may end the adequacy decision early.</td>
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<tr>
<td>FISHERIES</td>
<td>The agreement governing EU fishers’ access to UK fishing stocks expires on 30 June 2026. From then onwards, access will be negotiated by the UK and EU on an annual basis. This could be politically fraught and harmful to trade. For example, the UK may want to increase its catch-share, though the TCA implies that it cannot. Should it seek this, the EU could reduce reciprocal fishing access and place tariffs on imports of fish or other goods, or suspend other parts of the TCA.</td>
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<tr>
<td>ENERGY</td>
<td>TCA provisions on energy cooperation, committing for example to non-discrimination and optimised use of shared infrastructure, expire on 30 June 2026, unless the UK and EU agree to roll over or update them. This coincides with the expiry of the fisheries agreement, and has been interpreted as an EU signal that attempts to curtail its fishers’ access to UK waters could result in disruptions to energy supply. Yet the global energy crisis makes it less likely that the EU will use the energy provisions as a bargaining chip, given the clear mutual interest in keeping shared infrastructure as open as possible.</td>
</tr>
</tbody>
</table>
DEADLINES UNDER THE TRADE AND COOPERATION AGREEMENT

31 DECEMBER 2023:
Expiry of UK temporary regime maintaining scope of former passporting rights to EU financial services firms

1 JANUARY 2024:
Increase in the proportion of an electric vehicle’s parts which must originate from the UK or EU to qualify for tariff-free trade under the TCA

30 JUNE 2025:
Expiry of the EU’s ‘adequacy’ decision which allows a free flow of personal data between the UK and EU

30 JUNE 2025:
Expiry of EU ‘equivalence’ decision allowing UK-based clearing houses to service EU firms

30 JUNE 2026:
The agreement governing EU fishers’ access to UK fishing stocks expires and must be renegotiated

30 JUNE 2026:
Expiry of TCA provisions on energy cooperation

31 DECEMBER 2024:
Products newly placed on the GB market will require a ‘UKCA’ mark and will no longer be able to use an EU ‘CE’ mark

27 OCTOBER 2026:
First deadline for chemicals to be registered on a new ‘UK REACH’ database, in order to be authorised for use in GB

31 DECEMBER 2023:
Expiry of UK temporary regime maintaining scope of former passporting rights to EU financial services firms

1 JANUARY 2027:
Another increase in the proportion of an electric vehicle’s parts which must originate from the UK or EU to qualify for tariff-free trade under the TCA
UNILATERAL ACTION

SCHOOL VISITS

The UK opted to leave the EU ‘list of travellers’ scheme, meaning non-EEA national children now need a visa to travel to the UK as part of a school group, and also no longer accepts national identity cards as part of the new UK border regime, even though many EEA school children do not have a passport. This has contributed to an 83% fall in EU student visits to the UK from 2019 to 2022, at an estimated economic cost of £1.5bn.

STUDENT MOBILITY

The UK left the EU’s Erasmus+ programme for study abroad placements, instead developing its own ‘Turing’ scheme. Turing offers study placements around the world (whereas Erasmus+ is confined to Europe) but funding is less generous per head and there are no ‘inward’ placements for foreign students to visit the UK. The failure to provide inward placements is potentially of major cost to UK soft power, reducing the number of young people with cultural links to the UK.
## DEEPENING THE TCA

### CLIMATE

The TCA says both sides will give ‘serious consideration’ to linking their emissions trading schemes, which set the price of carbon emissions in certain industries. Failing to do so will almost certainly create new barriers to UK-EU trade when the EU introduces its planned carbon border adjustment mechanism (CBAM), and could spark a major political row over whether and how the EU CBAM applies in Northern Ireland.

### ENERGY CAPACITY

Little has been achieved on the TCA ‘priority’ ambition to improve the efficiency of energy transfers and UK ambitions to increase interconnector capacity also require a clearer regulatory framework than the TCA currently provides. However, the UK has signed an MoU with the NSEC group (made up of 8 EU member states plus Norway) to cooperate on offshore wind development in the North Sea. The MoU’s continuation after June 2026 is contingent upon the TCA’s energy chapter being renewed.

### ELECTRICITY MARKETS

The UK and EU are both considering how to ‘decouple’ the price of electricity from gas, so that the price of all energy on the grid is not set by the sky-high price of gas. This has potential benefits for consumers but the risk is that separate UK and EU reforms could endanger the smooth flow of energy across shared interconnectors, either because price-setting mechanisms become less compatible, rendering exchanges less efficient, or because either side becomes more protective of its comparatively cheap energy.

### SECURITY AND BORDERS

The TCA does not grant the UK access to the EU’s SIS II database for wanted and missing persons, and it is instead reliant upon EU countries inputting that data into Interpol systems. The UK could push the EU to improve the speed and reliability with which data is supplied to Interpol, and further boost cooperation and information exchange through more enhanced dialogue with the EU agencies Europol and Eurojust.
The UK and EU have taken similar approaches to increasing the social obligations of big tech and reducing their market dominance. There is significant potential for cooperation between UK and EU regulatory bodies, in terms of sharing best practice and information in relation to anti-competitive practices, or pursuing antitrust cases together. However the EU has frozen all official cooperation due to disputes over the NI Protocol.

The TCA states there is agreement that the UK shall participate in EU programmes including Horizon Europe - the preeminent European platform for science and research cooperation. However, the EU has refused to sign off on this, apparently due to the NI Protocol dispute. Breaking this impasse would be of significant mutual benefit to both UK and EU research sectors.

The TCA creates a range of new non-tariff barriers to UK-EU trade. Several measures could reduce these, including the UK aligning with EU animal and plant health standards; support for the construction of border control posts; and integration of the EU’s ‘Single Customs Window’ with the UK’s ‘Single Trade Window’.
<table>
<thead>
<tr>
<th>BEYOND THE TCA</th>
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<tbody>
<tr>
<td><strong>DEFENCE AND EXTERNAL SECURITY</strong></td>
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<tr>
<td>There is little prospect of the current government attempting to deepen security cooperation with the EU. Labour have said they favour a formal security agreement, though have not provided much in the way of detail as to whether this would be a technical accord (for instance ensuring cooperation with the European Defence Agency), or a broader third party cooperation agreement on foreign and security policy.</td>
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<tr>
<td><strong>SHORT-TERM MOBILITY VISAS</strong></td>
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<tr>
<td>UK performing artists touring the EU must comply with separate immigration and employment requirements in every member state they visit. This complicates access to the most lucrative touring market for UK artists, but could be offset by a UK-EU agreement establishing simplified mobility arrangements for touring artists.</td>
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<tr>
<td><strong>MUTUAL RECOGNITION OF PROFESSIONAL QUALIFICATIONS</strong></td>
</tr>
<tr>
<td>The UK and EU no longer have mutual recognition of professional qualifications, which previously meant UK qualifications were automatically/more easily recognised in the EU (and vice-versa). A new agreement would make it easier to move between the UK and EU for work, though it would require the UK to continually align with a range of EU regulations over which it has no say.</td>
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<tr>
<td><strong>MUTUAL RECOGNITION OF CONFORMITY ASSESSMENTS</strong></td>
</tr>
<tr>
<td>British manufacturers and suppliers could lose access to supply chain components and finished goods in future, if foreign manufacturers opt not to obtain the ‘UKCA’ mark which will be required for entry onto the GB market from 2025. One way to circumvent this problem is for the UK and EU to sign an agreement on the mutual recognition of conformity assessments, meaning UK-based conformity assessments would be considered adequate for placement on the EU market, and vice-versa. However this would require continuous UK alignment with a range of EU product-related regulations.</td>
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<tr>
<td>PASSPORT CHECKS</td>
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<tr>
<td>SMALL BOATS</td>
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</table>
UK in a Changing Europe promotes rigorous, high-quality and independent research into the complex and ever changing relationship between the UK and the EU. It is funded by the Economic and Social Research Council and based at King’s College London.

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