

UK IN A
CHANGING
EUROPE

BRIEFING



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Policy brief: UK in a Changing Europe's 8th *Divergence Tracker*

- The UK in a Changing Europe's *Divergence Tracker* is a quarterly report assessing where and how UK and EU rules and regulations have diverged since Brexit. The eighth edition covers the period April-July 2023, and highlights how the UK has abandoned its plan for wide-scale divergence from the EU in favour of closer cooperation on regulatory matters.
- The key development is the UK government's decision to drop the 'sunset clause' from the Retained EU Law Bill - abandoning a flagship plan which could have seen almost 5,000 laws inherited from the EU expire at the end of 2023.
- Instead, the government is pursuing more targeted reviews of certain EU regulations, for example those relating paid leave and working hours. These are presented as administrative simplifications but, if the replacement legislation is poorly designed, could lead to an inadvertent scaling back of worker protections.
- The tracker also identifies a new and growing tendency under Prime Minister Sunak to pursue 'managed divergence': where the UK and EU agree on new forms of cooperation to manage regulatory differences. A new MoU has been signed on financial services cooperation, with a similar agreement planned on competition policy. Agreements have also been struck for formal UK participation in EU schemes on science and research (Horizon Europe) and military transport.
- The UK and EU have also outlined very similar regulatory policies in a range of areas, including sustainable finance, addressing big tech companies' dominance of digital markets, and clamping down on 'greenwashing' (false claims about products' environmental performance). However, the EU is typically moving much more quickly to implement reforms - raising questions about UK's capacity as regulatory state post-Brexit.
- We can trace an emerging difference in regulatory principles between the EU and UK in some future-facing sectors, like artificial intelligence and competition policy. The EU is concerned with defining and regulating present risks, with the UK more focused on preparing for future risks. This could help UK regulation adapt more quickly to technological change, making it an attractive environment for tech investment, but there are big questions about whether regulators will receive sufficient guidance and funding to achieve this.
- On trade, the UK's new 'target border operating model', which enters into force from October, could significantly hinder imports of EU meat and dairy goods to Great Britain, potentially leading to shortages and price rises in the run up to Christmas.
- The UK government could point to its recent ban on new licenses for the animal testing of cosmetic ingredients as a major benefit of Brexit. Although such animal testing is officially banned in the UK and EU, a loophole has led to the practice continuing in many instances. The UK will now effectively close this loophole.