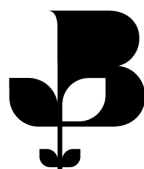




DECEMBER 2025

THE EU RESET: A BUSINESS MANIFESTO



British
Chambers of
Commerce
GLOBAL BRITAIN

WHERE
BUSINESS
— BELONGS

CONTENTS

Foreword	4
Introduction	6
Section 1 – Trade in Goods	10
1. Tariffs and Rules of Origin	10
2. Customs and Logistics	13
3. Energy and climate co-operation and trade in electricity	14
4. Supply chains and Economic Security	15
5. Agri-food Exports – Export Health Certificates and Border Checks	16
6. VAT	17
7. Conformity Assessment and Markings	18
8. Chemicals	20
9. Steel	21
10. Trade digitalisation and digital trade corridors	22
11. The Windsor Framework ¹	23
Section 2 – Trade in Services	24
1. Services Access and Labour Mobility	24
2. Data Flows	25
3. Youth Mobility	25
Section 3 – Co-operation and Participation in EU Programmes	26
1. Horizon Europe	26
2. Security and Defence Partnership Agreement	26
3. Erasmus+	27
Section 4 - Regulatory Developments: Emerging alignment V Managed divergence	28
1. Regulatory divergence	28
2. Carbon leakage policies	28
3. Corporate responsibility and supply chains legislation	29
4. Forthcoming EU regulation and business impacts	30
5. Dynamic alignment	32
6. Unilateral alignment	32
7. Mutual recognition	32
8. Conclusions	32
Section 5 - The Businesses View on EU Trade in 2025	34
Section 6 - EU and UK policy timeline	38
Section 7 - Our Policy Recommendations	40
• Priorities for Common Understanding negotiations	41
• Medium-term aims for Leaders' Summit 2026 and TCA Review	42
• Longer-term aims	43
Section 8 - Conclusions	44
References	45

FOREWORD



**Rt Hon Sir David
Lidington KCB CBE**

Former Chancellor of the Duchy of Lancaster, Minister for the Cabinet Office, Lord Chancellor and Secretary of State for Justice, Leader of the House of Commons, and Minister of State for Europe (2010-2019)

Almost a decade on from the referendum, nearly six years after our country left the European Union, and five years since the expiry of the transitional arrangements, this report offers a timely and sobering analysis of the impact that leaving the EU has had on businesses in Great Britain and Northern Ireland, and a detailed shopping list of reforms and adaptations that could provide a much-needed boost to trade and growth.

The detailed audit compiled by the British Chambers of Commerce is well worth reading in full, but for me there are three themes that stand out.

First, although a non-member state, our country's relationship with the European Union is massively important to UK businesses and therefore to our hopes as a country for economic growth and greater prosperity. More than two-fifths of our exports go to the EU (for comparison, exports to the USA are between 22% and 23 % of the total - or were before the imposition of higher tariffs earlier this year). Europe also supplies roughly half our imports of goods and services.

For as far ahead as we can see, the European Union will remain by far our most important trading partner. Trade agreements with other countries are welcome, but analyses published by this government and its predecessors showed that they compensate for only a tiny fraction of the loss to British trade and growth caused by our exit from the EU.

Second, constant negotiation and renegotiation is the reality of life after Brexit. Each time Ministers contemplate divergence between UK and EU regulatory standards, they will have to judge the trade-offs - the potential opportunity from divergence against the risk of British products or services being denied access to EU markets or having to shoulder the cost of complying with two different regulatory systems. Every time the EU amends or updates its own laws and codes, British businesses and Ministers will have to decide whether to follow suit. The central importance of EU markets and EU suppliers for British business and consumers means that Brexit is not and is never likely to be definitively "done"

Third, while British business has welcomed both the Windsor Framework negotiated by the Sunak government and the present government's reset of relations with the EU, it needs the government to demonstrate that it grasps the importance and urgency of the challenges that companies face.

It is disappointing, I would say dismaying, that steps seen earlier this year as the low-hanging fruit of the reset - British participation in the SAFE initiative on European defence industry, a treaty on plant and animal health, or agreement on the integration of UK and EU energy markets to strengthen our collective resilience have not yet been agreed. Of course the problems do not lie solely at Westminster - protectionist instincts in some parts of the Commission and Member State governments are also very much to blame. But when the BCC reports half of our exporters saying that they are struggling with Brexit red tape and obstacles to trade, and that the Trade and Cooperation Agreement is not enabling them to grow, alarm bells should be clanging in Downing Street and Whitehall.

The Report identifies a long list of specific decisions and reforms that UK businesses want their government to address with determination and energy.

The list of immediate problems needing to be tackled between now and the UK/EU summit scheduled for next Spring is daunting enough: data; trade in steel; defence industries; veterinary and plant health standards; emissions trading and carbon border adjustments; electricity markets. Sensibly, the BCC has also grouped together ideas for medium and longer-term objectives to improve the trading environment. But planning for that medium and long term needs to start now. In 12 months time we will be at or close to the halfway point of this Parliament (and halfway through the term of the current European Parliament and Commission). The longer things are left, the greater the risk of political energy seeping away as elections approach.

That underscores the message in the BCC report that we need in this country “a strong policy framework, effective scrutiny, and consultation with business and other stakeholders”. The BCC deploys this phrase in relation to changes in EU regulations that affect the United Kingdom, but I think implicit in the report is a call for Ministers to adopt such an approach to the entire reset strategy.

With polls showing that about 60% of voters now think that the impact of Brexit has been harmful, and a clear majority wanting close and friendly relations with the EU, the public is ready for such an initiative. I hope that Ministers will seize this opportunity.



INTRODUCTION

The EU is the UK's largest and most significant trading partner. It accounts for 41.1% of all our exports and supplies just over half of our imports (51%)ⁱⁱ. These flows of goods and services are crucial to the UK's overall economic health. The BCC has been tracking the state of our trading relationship since Brexit, and after some initial trauma, our research indicated that businesses were adjusting to their new reality. But this year we have seen a change. After several years where dissatisfaction with the Trade and Cooperation Agreement, which governs trade, had been falling, it has shot back up. It is the clearest evidence yet that cross-border trade and economic output are being held back and a key reason is growing regulatory divergence between the two sides.

In 2025, a reset of the relationship crystallised through the Security and Defence Partnership Agreement, the Common Understanding agreement, and the negotiations which followed those. Closer co-operation on defence, security, industrial strategy, energy and supply chains have been welcome, but points of difference over subsidies and the UK Sponsorship Scheme existⁱⁱⁱ. Negotiations are underway on at least five areas which could yield benefits to exports and economic growth in the both the UK and the EU. In 2026, those negotiations need to be successfully concluded for implementation no later than mid-2027. Momentum must also be maintained at the Leaders' Summit in 2026. It needs to signpost a new tranche of growth-generating measures that remove further economic barriers.

In a decade marked by wars, supply chain shocks, and turbulent global trade, it is in the interests of the UK and EU to pursue a pro-growth, pro-business economic relationship. The Office for Budget Responsibility has repeatedly endorsed its central finding that trade intensity has dropped by 15% since 2021, with a 4% hit to UK GDP over the long term as a result^{iv}. Analysis by Aston University Economics Professor, Jun Du, revealed a 33% reduction in the variety of traded products, during the 35 months after the transition period ended in December 2020^v. This is a significant loss. Although separate research suggests that a liberalising deal on sanitary and phytosanitary requirements, could achieve an increase in UK agri-food exports of 22.5%. This would add 0.22% to the sector's Gross Value Add (GVA) contribution to the economy^{vi}.



In the past twelve months, there has been much closer dialogue and joint working between the UK and EU on a range of issues, from defence and security to energy. The political impetus from the May Leaders' Summit between Prime Minister Starmer and Presidents von der Leyen and Costa has led to formal negotiations in key economic areas. Implementation of the Windsor Framework commitments has intensified, and the UK has been a strong partner in science, research, innovation and technology through its associate membership of Horizon Europe and Copernicus. This should continue in the 2028-2034 funding period at EU level. The deal reached in December 2025 for the UK to rejoin Erasmus+ in 2027 is a further welcome move on skills, training, education and growth. The recognition of CE marking in the UK Internal Market has been embedded by the UK Product Regulation and Metrology Act 2025^{vii}, with unilateral alignment in product areas which are CE-marked. The decision on renewal of the UK's data adequacy status in relation to the EU, taken before the end of the year^{viii}, should underpin data flows from the EU to UK until the end of December 2031, representing more than three-quarters of the UK's inbound cross-border data flows.

The Security and Defence Partnership Agreement, the Common Understanding agreement and other negotiations underway, provide an opportunity in 2026 to deliver a substantial reset in our economic and trading relationship. As well as new arrangements sitting alongside the Trade and Co-operation Agreement (TCA), we also propose areas of co-operation on business mobility, and VAT to realise the full potential of the existing arrangements.

Although a five yearly review of the TCA is due to take place by mid-2026, the Leaders' Summit, introduced this year, has now become the main process to deliver the improvements sought by UK businesses. The TCA review will likely be more of a technical exercise. Although important issues, such as the fiscal representative requirements on import VAT, could still be addressed by this process. These could then be acted upon in the specialised committee structure established under the TCA. Nevertheless, on the broader contours of the economic and trading relationship, the newly instituted process of Leaders Summits is more likely to drive improvements for quicker, simpler, cheaper trade.

Businesses continue to manage the compliance burdens introduced in 2021, for traders in Great Britain sending goods to the EU.

These include, but are not limited to:

- customs declarations
- safety and security certificates
- evidence of origin of goods, or inputs into the manufacture of goods
- import VAT requirements
- export health certificates for certain food and plant origin products
- requirements under the EU's REACH system (the Registration, Evaluation, Authorisation and Restriction of Chemicals)^{ix}.

For many, this has become part of the everyday task of cross-border trade. However, for others, in 2025 there was a sharp increase in companies experiencing difficulties. This has mainly been driven by new regulatory requirements, such as the General Product Safety Regulation^x. This has led to some firms ceasing exports to the EU. As this report shows, our research consistently finds that these issues remain^{xi}.

The GPSR requires firms in Great Britain to make arrangements for a responsible person in the EU to ensure compliance with its rules. As a Windsor Framework measure, it also applies to businesses moving goods in affected sectors across the Irish Sea to Northern Ireland.

Looking ahead, UK exporting businesses will have to prepare for the effects of the definitive phase rollout of the EU Carbon Border Adjustment Mechanism (CBAM)^{xii} on six categories of goods from January 2026. The UK is also legislating for its own CBAM, to be introduced in January 2027.

Energy, climate and industrial policies can be areas of stronger beneficial co-operation, particularly if supply chain agreements are made between the UK and EU. New understandings need to evolve on issues such as subsidy control and local sourcing requirements. A key debate on EU industrial policy and 'Made in Europe' requirements on sourcing and procurement is underway at the EU level in mid-December 2025. It will test their compatibility with World Trade Organisation (WTO) rules and the effects for the EU's key trading partners, like the UK.

Changes in the international trade landscape, alongside competitiveness and security concerns about global steel overproduction and decarbonisation priorities, will mean a new settlement on EU steel quotas and safeguard duties. This will affect the UK-EU steel trading relationship from the end of June 2026. Bilateral negotiations on this important area will continue into the New Year^{xiii} as the Council concludes the negotiating mandates for the final version of the Regulation.

New legislation on deforestation^{xiv} in supply and in sourcing chains will affect GB exporters. For large companies this will be from the end of 2026, and for micro, small and medium sized companies from the middle of 2027.

The de minimis threshold on low value consignments exported to the EU are most likely to be abolished from 1 July 2026^{xv}. Customs duties of €3 per consignment on imports to the EU will also likely be introduced in July 2026, subject to agreement between the EU institutions. These charges are currently intended to be levied per each individual commodity code item within a consignment at the rate of €3 per different code item. Further EU measures on supply chain attestations will impact UK firms from 2028^{xvi}. Alongside these changes, the biggest EU customs reforms for a generation will start taking place from 2028. These include the creation of the European Customs Authority, the Single EU Data Hub, and changes to importer and VAT responsibilities through the refitted Union Customs Code^{xvii}. These reforms will also apply in Northern Ireland, creating new challenges on goods movements between Great Britain and Northern Ireland.

The changing pattern of EU regulation for goods, and managing compliance for the UK internal market, is already a daily and complex reality for Northern Ireland businesses.

These changes emphasise that the UK's trading relationship with the EU (and even within the UK Internal Market itself) is not static. It is continually evolving as new policies and regulations are introduced by both sides, which present new costs for cross-border trading businesses. This makes closer regulatory co-operation and dialogue between the UK and EU crucial, if we are to reduce business compliance burdens, both now and in the future.

The BCC's Insights Unit has surveyed thousands of businesses about EU-UK trade, in the last year alone. They cover every sector, from services exporters to importers of food products. The data they supply, and the stories they tell, provide convincing evidence of what needs to change - as we enter the sixth year of the TCA and Windsor Framework. Their first-hand accounts reflect the everyday experiences of trade foregone, new costs imposed, and barriers raised to commercial activity. While our relationship with the EU continues to evolve and some trade barriers may be abolished by negotiation, new regulatory obstacles are appearing. It is time for delivery in 2026, to make trade easier for businesses both in the UK and EU.





SECTION 1

TRADE IN GOODS

Tariffs and Rules of Origin

Before the TCA came into force, over 200,000 UK companies (including many SME exporters) had only ever traded with the EU on a tariff-free and near frictionless basis. They were aware, though, that the UK would leave the EU customs union and begin a new relationship with the EU in 2021. That change meant they had to register for EORI (Economic Operators Registration and Identification numbers, find customs intermediaries, or speak to their local Chamber of Commerce or Chamber Customs about making customs declarations. They also had to familiarise themselves with relevant origin, safety, and security certification to accompany consignments of goods moving to the EU. All of this commenced for outbound goods from Great Britain on 1 January 2021. A temporary waiver on the need to produce suppliers' certificates for these cross-border goods movements applied, in both directions, until 1 January 2022 but was then removed. Some companies have chosen to establish entities in the EU to more efficiently manage cross-border orders from EU customers, warehousing and distribution.

For inbound goods of animal and plant origin coming to Great Britain, the controls regime was finally introduced in 2024^{xviii}. But in mid-2025, UK Ministers postponed the date for introduction of checks on medium-risk fruit and vegetables from 1 July 2025, until 31 January 2027. This was while negotiations between the UK and EU continue on a deal to remove the need for many of the controls on these products^{xix}.

Customs, VAT and origin evidence requirements on inbound goods were introduced in 2021. The obligations on safety and security certificates (through ENS declarations), came into force for EU goods imports to Great Britain from the end of January 2025^{xx}. These match those introduced on Great Britain to EU goods movements in January 2021.

The TCA contains rules on what inputs qualify for zero-tariff treatment. In most cases, goods must contain a certain percentage of originating material from either the UK and/or the EU. These percentages are set out in product-specific rules of origin, which must be met to claim zero-tariff treatment. Goods which contain too much other content do not qualify, and goods which have not been sufficiently processed or made in the UK do not either.

The TCA has meant two important structural changes for businesses in Great Britain on tariffs and rules of origin:

1. Goods cannot be imported from the rest of the world, then re-exported tariff-free to the EU, without sufficient processing. So, movements of non-originating goods have to be very carefully considered (with use of customs warehousing where appropriate) to mitigate exposure to additional tariffs on re-export to the EU.
2. Goods cannot be imported from the EU, then distributed tariff-free from the UK (GB) back into the EU, without sufficient processing. They are non-qualifying goods. Some larger firms have mitigated their customs duties by using customs warehousing and returned-goods relief, but others have had no choice but to set up distribution networks in the EU. UK member companies have told us they had to form commercial entities and register for VAT in both the Netherlands and Germany, to comply fully with commercial and VAT rules. Distribution infrastructure for a growing number of companies has moved from Great Britain into the EU.

The lack of cumulation^{xxi} within the TCA rules of origin has led to reduced choice in sourcing components, ingredients, or parts for UK manufacturers. Members of our international network of British Chambers have identified problems on a lack of flexibility on cumulation for over four years. This includes countries such as Serbia, Albania and Montenegro, in terms of trade in the European neighbourhood beyond the EU.

The BCC has suggested solutions on rules of origin reform over the past few years, principally UK re-accession to the Pan-Euro-Mediterranean (PEM) Convention^{xxii}. This would provide UK and EU businesses with additional flexibilities on diagonal cumulation, alongside their own inputs, in goods destined for the European neighbourhood, Middle East and North Africa.

In 2025, these ideas gained real traction in both the UK and EU. The UK government launched a call for evidence in November 2025^{xxiii}, on pending decisions by Ministers on whether to apply for the UK to rejoin the PEM Convention. This would depend upon approval by all members of the Convention, but the role of the EU in assessing benefits for EU businesses and economic security would be key. Business organisations at EU level have been supportive of a prospective UK application to rejoin PEM. Research shows its rules of origin would provide UK firms with between 1.1% to 2.8% flexibility on value added, compared with the current rules of origin in the TCA^{xxiv}. Benefits appear clearest in sectors such as automotive and textiles^{xxv}.

Consideration would also need to be made of new PEM rules coming into effect in January 2026^{xxvi}. This raises permitted tolerance levels of non-PEM sourced inputs to 15% and provides for the elimination of EUR-MED certificates. Other issues would be the need for UK business adaptation and updating of some UK free trade agreements with member countries. Finally, in the absence of any long-term option of parallel systems applying, the PEM rules would need to run alongside the TCA for a period. **Overall, the BCC sees real benefits for the UK being within the PEM system, particularly under the revised 2026 rules, and would recommend a UK application to rejoin.**

From January 2024, the phasing in of a higher percentage of local content was set to be introduced on electric vehicle batteries. These changes meant 45% of the electric vehicle value and 60% of the battery pack would have to originate in the UK or EU. If this was not met, then non-qualifying vehicles or batteries faced a 10% tariff on imports from each other's market. A deal was reached late in 2023 to avoid this cliff edge, but it has been shifted forward only as far as the end of 2026^{xxvii}. **The BCC supports negotiating a further extension of these arrangements, during 2026, to cover the period from 2027 onwards.** But a more comprehensive long-term solution should be implemented to provide certainty to the sector, possibly as part of a UK-EU supply chain agreement recognising the strong contribution which UK content makes to pan-European supply and sourcing chains in many industrial sectors. This could deal for instance with changes in UK/EU battery production capacity, or given the importance of global supply issues, it could include critical minerals and metals involved in battery production. This is a key element in the UK government's Industrial Strategy^{xxviii} and its new Critical Minerals Strategy. These commit to domestically sourcing 10% of the UK's critical or growth minerals and metals by 2035. They also cap the level of imports from any single state at 60% for critical or growth minerals, by the same date^{xxix}.

1st January 2021

marked the start of full origin, safety, security and customs requirements for GB goods moving to the EU, ending frictionless access and imposing the TCA's rules of origin.

45% - 60%

are the minimum originating-content requirements for electric vehicles and battery packs that were due to apply from 2024 (now deferred to 2027).

200,000

UK companies previously traded mainly friction free with the EU before the TCA came into force.

15%

is the new permitted tolerance level for non-PEM inputs under the updated 2026 PEM rules.



Customs and Logistics

TCA customs rules affecting traders in Great Britain are based on WTO Trade Facilitation Agreement terms. In Northern Ireland, the Union Customs Code (UCC) applies by virtue of the Windsor Framework. This means goods exporters in Great Britain were required, from January 2021, to have safety and security certificates, accompanying other customs documentation, for consignments sent to the EU. These have added further costs to exporting to the EU, which traders in Norway and Switzerland do not experience as their governments have negotiated waivers with the EU.

The EU is now making its biggest reforms of customs processes for a generation including a legislative and operational refitting of the UCC taking effect in two years' time. Measures include new deemed importers obligations, a single EU Customs Data Hub (from 2028), and new VAT rules^{xxx}. The abolition of the de minimis threshold on enforcement of customs duties has been fast-tracked to most likely July 2026, depending on agreement within the EU institutions. From 1 July 2026, new customs duties of €3 per consignment, or cumulatively €3 per good by differing commodity code within a consignment, will be levied. These changes will have a considerable impact on low value e-commerce parcels sent from Great Britain to the EU. In response, the BCC has called upon the UK to revise its customs processes and rulebook. It should commit to a Single Trade Window, and engage in enhanced customs co-operation with the EU, both in terms of the position for firms in Northern Ireland and Great Britain^{xxxi}.

Over the past five years the borders issues faced by goods importers and exporters have become less around familiarity with the TCA and more structural

in nature. For example, the EU Import Control System (ICS2, release 3) was implemented on 1 September 2025, although a delayed introduction in Northern Ireland was secured^{xxxii}. It requires entry summary declarations with a full commercial description, six-digit commodity codes and details of the parties involved, for goods transported by road and rail into the EU^{xxxiii}.

Many traders are also still concerned about the inconsistent application of customs rules across different member states^{xxxiv}. EU proposals to create an EU Customs Authority^{xxxv} by mid-2028 may help in reducing these disparities. **But we would still urge greater co-operation between UK and EU customs authorities and businesses involved in cross-border trade and logistics.** There are ongoing problems which need to be resolved now.

The introduction by the previous UK government of the Border Target Operating Model (BTOM), involved additional costs for importers of affected agri-food products in Great Britain or their EU suppliers. This has been through the introduction of port health charges and the common user charge (for goods moving through EuroTunnel and the port of Dover). These charges have weighed heavily on small and medium sized businesses, owing to the flat rate nature of the charging per commodity line. Although these fees are capped at five commodities per consignment on the accompanying paperwork - the Common Health Entry Document (CHED). If the negotiations underway to produce a deep Sanitary and Phytosanitary (SPS) Agreement are successful, then these requirements and charges could be abolished. This could perhaps be as early as 2027, with the need for Export Health Certificates, port health and other charges, falling away.

July 2026

is when the EU will abolish the de minimis threshold for customs duties, meaning all low-value goods entering the EU from Great Britain will face customs enforcement.

€3

set to be a new customs duty per consignment of goods entering the EU from July 2026, significantly impacting low-value e-commerce shipments from GB.

Energy and Climate co-operation and trade in electricity

The UK left the EU internal market for electricity at the end of the Brexit transition period on 31 December 2020. This included arrangements such as market coupling. Trade in electricity between the UK and the EU since then has been underpinned by the energy chapter (Title VIII) of the TCA, which was originally due to expire in 2026. Trade in energy amounted to 10% of the UK's exports to the EU in 2023. Permanent application of the TCA energy title was conditional upon a supplementary agreement on fisheries access. Some businesses called for a more comprehensive approach for the long-term – namely reintegration of the UK within the EU Single Market in terms of electricity trading. Estimates put the lost value of interconnector trade since 2021 in the region of £45m per annum^{xxxvi}.

Energy UK research, from 2024, finds that additional costs on energy supply between the UK, EU and Norway have been between £120m and £370m per year since 2021. The UK supplies and receives energy from Norway, France, Belgium, the Netherlands and the Republic of Ireland through undersea interconnectors. The UK has 9.8GW of interconnection capacity with other European countries, with approval granted for a further 4.4GW.

In 2022, a Memorandum of Understanding on offshore renewable energy co-operation in the North Sea area was signed by the UK and the North Sea's Energy Co-operation group of countries. This includes Germany, Belgium, Denmark, France, Luxembourg, the Republic of Ireland, the Netherlands and Norway^{xxxvii}.

Electricity trade with Norway has been governed by a continuity trade agreement reached with the UK in July 2021. Arrangements covering Norway would also require to be made in addition to the negotiations with the EU.

The May 2025 Leaders' Summit agreed to make the TCA's energy chapter permanent. This is being done through the Partnership Council, initially with an extension until mid-2027^{xxxviii}. Co-operation on renewable energy, including hydrogen and North Sea development, has continued at pace during 2025, including bilateral initiatives with Germany

and the North Sea's Energy Co-operation group. The Leaders' Summit also promised a dedicated dialogue between the UK and EU on reintegration of the UK into the EU Single Market for electricity. This would be underpinned by dynamic alignment arrangements with EU rules.

Scoping negotiations have proven successful. In December 2025, a Joint Statement was issued by the UK government and European Commission including a commitment to negotiate a new agreement on reintegration of the UK into a single trading market with the EU on electricity. This was followed by a joint paper as mandates were set on both sides for the negotiations in 2026.

There would be benefits for both sides from reintegration. UK electricity would be traded on the EU's trading platforms, which would allow for more efficient usage of the available interconnector capacity. This is particularly important due to forecasts for higher energy needs, by the turn of the decade, to power industries such as AI and quantum computing. Cheaper wholesale prices have also been cited as a benefit of a reintegrated European market. Conditions for long-term investment and development of the potential of the North Sea for energy would also be optimised by returning to a single market in electricity.

An international agreement based on dynamic alignment would require UK legislation to mirror key EU laws^{xxxix}. Negotiations would also have explore governance and level playing field arrangements, which may visit areas such as subsidy controls in the UK and state aid in the EU/EEA. EU state aid rules are also applicable in Northern Ireland - in terms of guidelines on environmental protection and energy, and the greenhouse gas emission allowance trading scheme. Financial contributions for single market access will also be a feature of any negotiations on an international agreement on Great Britain rejoining a single market for electricity trading in Europe. The BCC supports a successful conclusion of these negotiations in 2026 to secure a balanced deal on reintegration of UK electricity trading markets with the EU, also applicable to Norway.

Supply chains and Economic Security

At the time of negotiation of the TCA, agreements on economic security were deemed unnecessary. Much has changed since then, with the outbreak of war in Ukraine, prolonged supply chain shocks from the pandemic, US tariffs and other countries' trade policy activities.

The EU moved fast to develop its policy toolbox on economic security issues during the previous Commission mandate between 2019-2024, including the adoption of an anti-coercion instrument (ACI)^{xi}. The UK is now adopting its own agenda following the publication, last June at the BCC Global Annual Conference, of the UK Trade Strategy^{xli}. It is expected to consult soon on expanding the scope of ministerial powers on economic security, prior to introducing primary legislation, possibly within the next twelve months.

EU industrial policy has evolved over the course of the last few years. Initially, this was in terms of the Green New Deal, but in the last 12 months there has been a firmer economic security slant. Strong efforts have been made to secure much closer co-operation between the EU and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) trade bloc. They have conducted an inaugural Trade and Investment Dialogue, with

workplans to be initiated as a follow up^{xlii}. The close of 2025 saw issues being resolved between the EU institutions, on the Made in Europe agenda for release at the end of January 2026, with issues such as minimum local content requirements of up to 70% EU content and procurement up for discussion and new legislative acts.

The UK Critical Minerals Strategy has also been published. It contains commitments, by 2035, to have 10% of a range of critical and growth minerals domestically sourced, aligned with the eight key sectors identified in the Industrial Strategy. This is also supported by a commitment to source no more than 60% of imports of critical or growth minerals from any single state.

Supply chain co-operation – both bilaterally and through the UK's involvement as a member of CPTPP – are priorities for the development of the economic relationship. Both sides should engage in a scoping exercise on a comprehensive supply chain agreement in time for the Leaders' Summit in 2026, with a view to negotiating such an agreement including continuity of supply in key commodities and components and reflecting the key role of UK content in pan-European supply and sourcing chains across many industrial sectors.

2035

is the year by which the UK aims to have 10% of critical and growth minerals domestically sourced under its Critical Minerals Strategy.

60%

is the maximum share of imports of critical or growth minerals the UK will allow from any single state by 2035.



Agri-food Exports – Export Health Certificates and Border Checks

Since January 2021, Export Health Certificates (EHCs) signed by a vet have been required for certain agri-food goods, from Great Britain, exported into the EU. These are for consignments of plant products or products of animal origin and cost in some cases over £200 per certificate. This means the costs per truck, carrying multiple consignments, run into thousands of pounds.

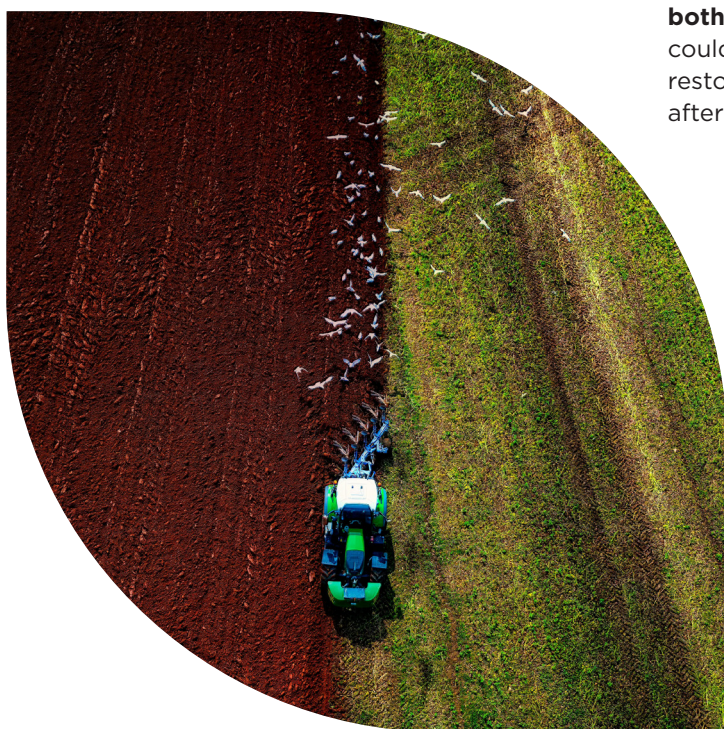
Physical and identity checks are also conducted, alongside other border checks, on a limited number of trucks and containers crossing from Great Britain into EU territory. From spring 2024, inbound movements of affected goods have taken place via designated Border Control Posts (BCPs). These involve documentary, physical and identity checks for a certain percentage of traffic. This covers movements which are not within the scope of trusted trader schemes for large or regular importers of EU fresh produce.

The cost, complexity, and veterinarian's signature requirement of EHCs has caused significant hardship for British agri-food exporters, particularly SMEs^{xliv}.

The TCA rules were based upon the relevant WTO rules, but with little more in the way of facilitation for smoother trade. The UK sought an equivalence-style relationship on plant and animal products in the TCA negotiations in 2020, but this was not agreed.

Exporting businesses in Great Britain, and their customers in the EU, have paid the price through delays, wastage of food and higher costs as a result. In some cases, they have entirely abandoned trade in agri-food products with EU^{xlv}.

Following a strong case from the BCC, the Common Understanding agreement proposed the negotiation of a deep SPS agreement between the UK and EU, reflecting the EU's arrangements with Norway and Switzerland. This would eliminate the requirement for EHCs in either direction should a deal be reached, and implemented, perhaps as early as 2027. The interplay between such an agreement with the Windsor Framework, would also ensure that some of the costs involved in moving from Great Britain to Northern Ireland would be reduced or fall away. Although, this would depend upon the scale of the regulatory commitments undertaken. **Such an agreement would cut the costs of doing trade for UK and EU exporters and would benefit both.** A deal in 2026 would mean agri-food traders could look forward to lower costs, fewer delays, restored market access and export growth soon after implementation.



VAT

From BCC research throughout the last five years, import VAT has emerged as a key barrier to the goods trade between Great Britain and the EU. The TCA contained only limited references to VAT. On automatic departure from the EU Common VAT Area, at the start of 2021, exporters in Great Britain became third country traders for VAT purposes. Goods movements ceased to be transfers within the EU and became imports subject to import VAT. Goods moving either from Great Britain to the EU, or in the other direction, are subject to import VAT on arrival at customs in the receiving country. In the early days of the TCA, couriers or freight forwarders sought the VAT due, and handling charges, directly from customers, sometimes at point of delivery. In some cases, this led to unexpected charges not explained at point of sale, leading to the rejection of goods and attempts to return them. These issues have declined over time as the new rules have become more familiar to customers.

But import VAT complexity has led some firms to establish commercial entities within the EU (and register there for VAT purposes) to service EU customers. **This has taken jobs and investment away from the UK.** For companies wishing to trade in the EU under TCA trade preferences, some have faced requirements to set up commercial entities and register for VAT purposes in more than one EU member state. SMEs in Great Britain with exports valued at less than €150, which use the EU online import One Stop Shop (iOSS) portal, have also had to pay for a fiscal representative within the EU. **This has added to the disincentives around doing business with EU customers.** However, the EU has now consulted on plans to remove this threshold^{xlvii} – meaning higher priced goods from Great Britain sold via the iOSS may also need a fiscal representative. Added to this, UCC reforms in 2028 will make the usage of the iOSS mandatory for e-commerce sales.

An easement on postponed VAT accounting for UK companies, called for by the BCC^{xlviii}, was adopted in 2021 which relieved the potential cashflow burden for UK importing firms. Different rules are in operation for Northern Ireland traders, which treats them as if they were EU traders, so goods movements are not subject to import VAT.

There have also been problems caused by the ending of policy alignment between the UK and EU on VAT. Forthcoming changes in EU VAT law mean further divergence is likely between the two jurisdictions from 2028.

Firms in Norway – similarly outside the EU Common VAT area – enjoy more convenient arrangements, which limit the requirements to have a fiscal intermediary in the EU and give firms greater flexibility. Similar provisions could be negotiated between the UK and the EU through the relevant specialised committee. Over the last four years, the BCC has raised this issue during meetings of the Civil Society Forum, attended by the UK government, EU officials and other stakeholders. But, as of December 2025, it has still not been resolved through action by the specialised committee. The UK government is supportive of the change, but the European Commission is unpersuaded, so far.

Therefore, VAT is likely to remain one of the main obstacles to trade for British companies with EU customers and suppliers. If not resolved by then, we believe this should be addressed as a priority at the next Leaders' Summit in 2026. But the door should also be left open to resolving this through the relevant specialised committee under the TCA, should the political will exist.

Conformity Assessment and Markings on Industrial and Electrical Goods

Conformity assessment processes on industrial and electrical goods fall within the category of Technical Barriers to Trade (TBT). The TCA provisions took the WTO TBT Agreement as the baseline, but no mutual recognition agreement was reached on conformity assessment. During the negotiations, the UK made clear it would not seek to remain part of the CE marking system of conformity assessment and markings. Instead, it chose to establish its own UKCA system for Great Britain, with a separate UK (NI) system, due to the Northern Ireland Protocol.

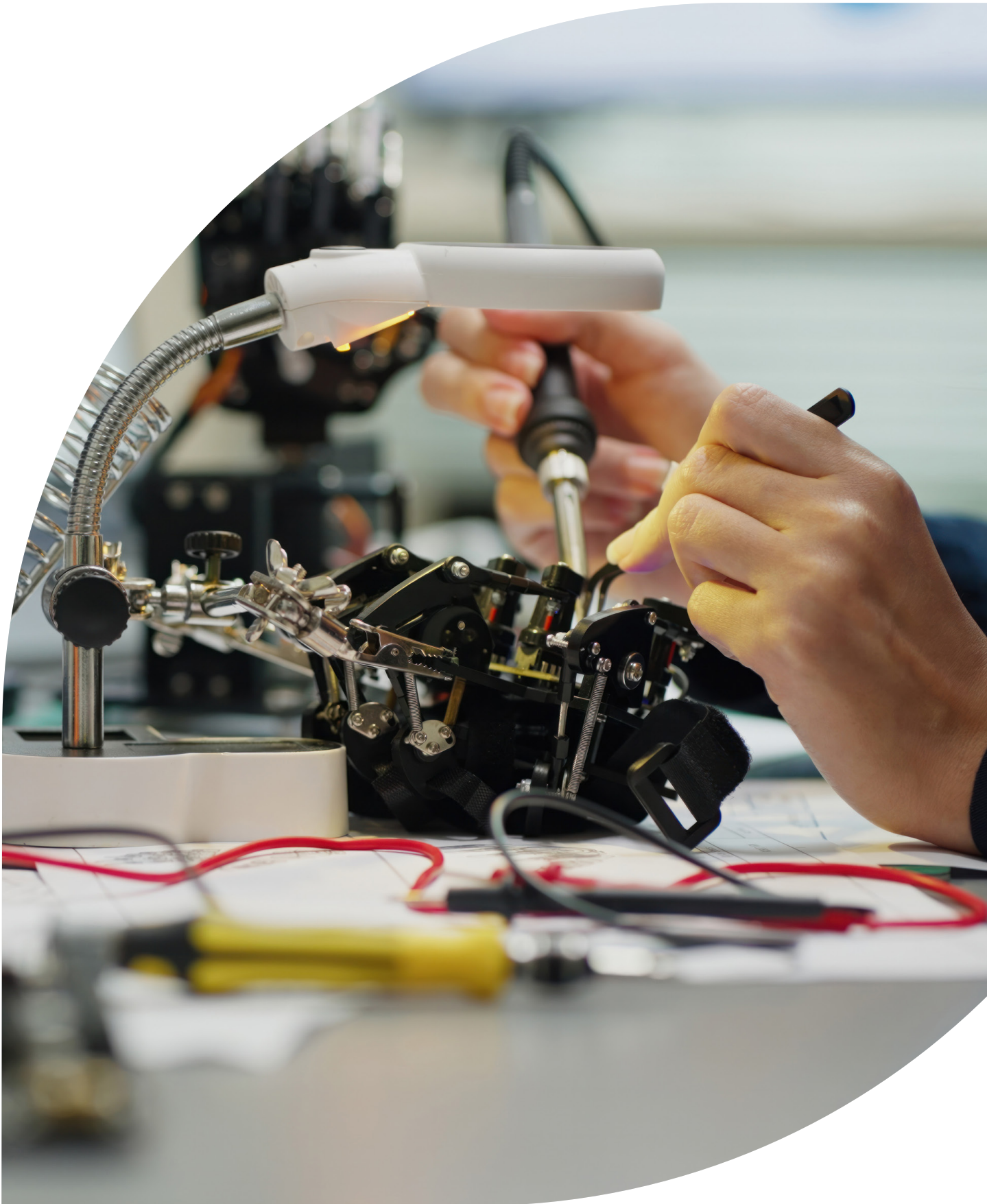
In the BCC's International Trade Survey in October 2021, almost two thirds of respondents for whom certification marking was applicable, said their preference was to retain the EU's system. This was to keep costs low and allow for continuity of integrated supply chains. Goods finished and assembled in Great Britain often contain components manufactured and conformity assessed in the EU or other countries which are part of its marking system. In 2022, businesses welcomed the extension of the dual system but found it only an initial step in responding to the reality of complex manufacturing supply chains. We called upon the UK government to take further action – unilaterally or through the Trade Partnership Committee – to relieve the burden it placed on businesses. We asked for the period of both conformity marks being able to circulate freely in the UK to be extended until at least the end of 2026. This would give sufficient time for arrangements on the permanent usage and circulation of CE marked items throughout the UK to be made.

After a long campaign, the previous UK government accepted the BCC's case in the summer of 2023. It announced that CE marked goods in most sectors would indefinitely be permitted to be placed on the market in Great Britain^{xlviii}. In September 2024, this was extended to the construction sector, which we had also called for^{xlix}. Although the acceptance of CE-marked medical devices in GB has been continued in older devices until 2028, and in newer ones until 2030, a permanent solution of retaining CE marking has yet to be adopted. However, the UK government has run a consultation on product markings for these devices. It concluded in January 2025ⁱ, with the UK government recommending the removal of the UKCA marking commitment once the Unique Device identification system is in place^{li}.

The decision on CE marked goods was well received by industry but also caused problems for the UK conformity assessment body sector. This makes a powerful case for a mutual recognition agreement on conformity assessment to be reached by the UK and EU. This would allow standard and regulatory testing to CE-marking standards across both markets, providing the necessary capacity for business.

The decision to retain CE marking for Great Britain has shown the wisdom of retaining a common regulatory approach on highly-regulated traded goods with the EU. But it has also flagged how difficult the processes are for managing regulatory divergence across both markets. This is further complicated by the impact of the Windsor Framework. This means Northern Ireland continues to follow many EU regulations, so it can maintain an open border with the Republic of Ireland. But it is also part of the UK's Internal Market (UKIM), which means there is a legal commitment to unfettered access of NI goods to the rest of the UKIM.

In 2025, Parliament passed the Product Regulation and Metrology (PRAM) Act^{lii}. This allows for unilateral alignment of the UK statute book with relevant EU primary, secondary and tertiary decisions on highly regulated products. These are in areas key to the retention of CE marking for GB produced goods. For example, the new Act has been used to keep the UK in lockstep with rules in respect of noise levels from certain mechanical machinery. Business has been consulted by the Department for Business and Trade on any proposals to use PRAM Act procedures which relate to ongoing CE marking retention. The PRAM Act is another tool that policymakers in the UK are adopting to deal with the requirement of Great Britain's manufactured goods sector to retain the CE marking system.



Chemicals

The TCA contained special annexes on trade in chemicals, which created the means for regulatory cooperation and exchange of information. The UK did not, however, pursue a relationship based on regulatory alignment. This means that, in respect of Great Britain, it left the EU Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) system at the end of the transition period. Instead, it created a separate UK REACH system. “Grandfathering” of existing approvals was permitted; but for newly authorised products, duplication of registration by traders is now required to sell in both markets.

This has introduced significant added cost pressures. The UK government offered a delay in compliance with the full registration requirements involved with UK REACH. These were pushed back until 27 October 2026 for large tonnage imports (above 1,000 tonnes per annum). There are

further downstream tonnage phase-in points on the same dates in 2028 and 2030^{lii}. This gave the government time to consult business and others on the arrangements^{liv} which it has taken in mid-2025 to create three proposed new options, with the phase in point for implementation shifting back until April or October 2029, and concluding as late as 2033 under one proposed option. Compliance burdens continue to be raised by SMEs trying to trade cosmetics and other chemicals products in Great Britain and the EU. Solutions are not easily foreseeable, given the inclusion of these products within a key part of the EU Single Market as highly regulated products. However, greater regulatory co-operation between the UK and EU could provide some positive outcomes for traders.

In Northern Ireland, under the Windsor Framework, the EU REACH system continues to apply^{lv}.

27 October 2026

Current starting date for full registration and data submission requirements of UK REACH on chemicals.

27 October 2029

Potential new submission deadline for large traders under preferred UK government position on UK REACH in 2025 consultation.



Steel

It will be a key year for the UK steel industry in 2026, in terms of its trade with the EU – its largest export market and the destination for 78% of primary steel exports.

On 7 October 2025, the European Commission published a draft Regulation on steel safeguard duties^{lvi} for consideration by the Council of the European Union and the European Parliament. The EU sees the steel industry as vital for its competitiveness and security, particularly in the defence sector – as outlined in its Steel and Metals Action Plan, earlier in 2025. The EU is adopting these measures to protect its own steel production industry, and to tackle global overproduction in steel, which is also a major concern of the US Administration.

Current steel safeguard duties are due to expire at the end of June 2026, having been first implemented in 2018. Under WTO rules, the existing EU safeguard duties cannot be extended any further, and so the EU has had to fully reconsider its approach.

From the end of June 2026, the proposed tariff free import quota for primary steel manufactured products is set to be 18.3m metric tonnes per annum. This is a reduction of 47% on the current levels. The Regulation will not apply to derivative products of steel, such as manufactured goods of steel or components for inclusion in other manufactured goods.

47%

Reduction in existing steel (zero) tariff rate quotas by EU due to take effect at end June 2026.

Additionally, the proposed EU safeguard duty on primary steel products it imports is set to rise from the current 25% on purchases above quota levels, to 50%. This is to avoid trade diversion. The EU is also proposing a melt and pour requirement (similar to the current US trade policy on steel). This means that for steel to qualify as produced in a country of origin it must also be melted and poured there. This is defined as the original location in which raw steel or iron is initially produced in liquid form within a furnace and then cast into its primary solid state. For the UK, this would affect certain production techniques, such as where steel is made from scrap metal imported from overseas. For evidential purposes, this would require the presentation of mill certificates or similar documents on import to the EU. Some revisions were made in December 2025 to the implementation of the proposed new quotas in the draft mandate drawn up by the Council for negotiation with the European Parliament on the final form of the new Regulation.

The BCC position is that priority should be given to negotiations with the European Commission under Article XXVIII of the General Agreement on Tariffs and Trade. These would focus on appropriate UK specific-quotas for product categories 1-7, 12, and 14-27 in the draft EU regulation. Critically, these should recognise the strong links between UK production and EU supply chains in areas such as flat and long steel products in automotive, construction, tubing, appliance, and machinery manufacturing sectors.

78%

Scale of UK steel primary product exports sold in the EU.

Trade document digitalisation and digital trade corridors

The UK has implemented the Electronic Trade Document Act (ETDA) 2023, following a campaign by the BCC and the International Chamber of Commerce UK. This ensures that digital bills of lading, bills of exchange and associated trade documentations can be legally transferred and recognised digitally. Subsequent E-identity reforms have also aided the ETDA's implementation.

This aligns with the approach set out by the United Nations Commission on International Trade Law on electronic transferrable records^{lvii}, which is being adopted by other countries too.

As part of the Trade Strategy, the UK government has announced pilot digital trade corridors with European countries who have passed similar legislation. France and Germany are the first candidates^{lviii}. The benefits of digital trade can be felt by traders on both sides, as they experience smoother, quicker transitions through ports and customs processes to enter the UK. The UK government is looking to implement these pilots in the New Year.



Windsor Framework

The Windsor Framework provides an underlying basis for two-way trade between Northern Ireland and Great Britain, and Northern Ireland and the EU. Its purpose is to maintain an open border between Northern Ireland (part of the UK) and Ireland (within the EU). In practice, this means providing Northern Ireland firms with friction-free access to the EU Single Market, avoiding customs and VAT barriers, alongside retaining Northern Ireland's role within UK VAT and customs territories. Over 300 specific pieces of EU law were retained in Northern Ireland, via the Framework's predecessor the Protocol on Ireland/Northern Ireland. This made sure many industrial or agri-food goods made in Northern Ireland, and sold in the EU Single Market, would be made in accordance with EU legislation, avoiding any requirement for checks. In doing so, the EU was prepared to extend to Northern Ireland one of its four Single Market freedoms – free movement of goods. This was the minimum policy measure needed to sustain an open land border, and trade in many sectors between Ireland and Northern Ireland.

The Windsor Framework agreement, reached in February 2023^{ix}, has led to a reduction in physical checks for goods moving from Great Britain to Northern Ireland. But certain food products have to be labelled 'not for EU' to ensure they do not enter the EU Single Market. A further rollout of labelling occurred in summer 2025, extending to fish, fruit and vegetables, and composite food products.

If the UK and EU agree an SPS deal in 2026, then its interaction with the Windsor Framework will determine its benefit in lowering the most burdensome requirements on food movements.

Another major implementation issue, from May 2025, was the movement by authorised operators of postal packets and parcels, particularly from business to business. Further uncertainty for goods trade within the UK Internal Market has been caused by the EU General Product Safety Regulations^x. This came into force in Northern Ireland in mid-December 2024. It has led to compliance issues for many SMEs in Great Britain in the early part of 2025 and the subsequent adoption of UK government guidance given the scale of traders concerns.

Although the Finance Bill provisions in December 2025 introducing the CBAM in the UK apply to Northern Ireland so it will be part of the UK CBAM, it is still possible that EU CBAM rules will apply to movements of goods from Northern Ireland into the EU, creating additional complexity for businesses there.

How issues on steel safeguards duties are resolved, between the UK and EU, is also a key concern in Northern Ireland. As is the final terms of implementation of at the end of 2026 and into 2027 the EU Deforestation Regulation (EUDR), in relation to products such as wood packaging materials, confectionary and rubber tyres.



SECTION 2

TRADE IN SERVICES

Services Access and Labour Mobility

The TCA provisions on trade in services are also based on WTO agreements, including the General Agreement on Trade in Services (GATS). Audio-visual services are excluded, but market access is provided for in terms of financial services, accountancy, architecture, design, and most legal services.

The terms of access for these vary with the mode of supply of the cross-border service^{lxii}. In total, 70% of UK services exports to the EU are delivered electronically, but people still travel to each other's markets to consume or provide services^{lxiii}. A London School of Economics (LSE) study, from June 2025^{lxiii}, found that UK services exports to the EU, in sectors affected by non-tariff barriers, have fallen 15.8%, relative to other bilateral trade flows.

UK services exports are estimated to be 4-5% lower than they would have been without moving to TCA trading terms. These losses have not been offset by increased trade with non-EU markets, challenging the vision of a successful UK pivot beyond Europe.

The LSE report highlights the most significant barriers are regulatory in nature including residency requirements, licensing restrictions, and the lack of mutual recognition of professional qualifications. These disproportionately affect high-value sectors, such as legal, financial, and technology services, where the UK has traditionally held a comparative advantage.

Temporary stays in each other's countries for business purposes, for example conferences, are allowed, but must be restricted to 90 days in any

180-day period. And activities such as promotion of services are defined as not within the interpretation of the present rules in Annexes 21/22 to the TCA.

Although secondment is possible within companies which have locations in either market, there is a lack of comprehensive provisions on mutual recognition of professional qualifications in the TCA. Some work on this has been conducted between UK and EU services regulators, but the pace of progress in reaching an agreement has been slow. A deal on mutual recognition of architects' qualifications was rejected by the EU because of concerns over the balance of respective obligations in the text.

Businesses have also expressed frustration with the inability of UK nationals to use e-gates in the EU. The UK government has begun to negotiate deals with some EU member states to allow this, but this process needs to be accelerated at pace. This is made more expedient by the full implementation at Schengen external borders, from April 2026, of biometric data capture processes instead of the manual stamping of UK passports.

The Leaders' Summit, in May 2025, outlined a dedicated dialogue on the way forward for work between regulators on professional qualifications. But this has yet to yield any prospect of an agreement to underpin regulators' activities being adopted. **Without further progress, the next Leaders' Summit must inject fresh political impetus into reaching a mutual recognition agreement on professional and technical qualifications.**

15.8%

Drop in UK services exports values to the EU since 2021 in sectors affected by non-tariff barriers, estimated by the LSE.

90

Maximum length in days of a temporary stay by a UK national in the EU in any 180 day period under the TCA.

Data Flows

Data from the EU comprises 75% of the UK's overall cross border data flows^{lxiv}. These are the lifeblood of international trade in goods and services. A transition period on data flows applied from January to June 2021, when the EU made adequacy decisions under the General Data Protection Regulation (GDPR)^{lxv} and the Law Enforcement Directive^{lxvi}. These permit the flow of personal data, such as employee or customer data, from the EU to the UK. These decisions were renewed in 2025. The Data (Use and Access) Act 2025^{lxvii}, has been deemed by the European Commission to be compliant with the key elements of the data adequacy relationship. A recommendation was made to extend the adequacy decision's effects beyond 27 December 2025 for a further six years^{lxviii}. The decision to this effect was issued by the European Commission in late December.

The BCC welcomes the renewal of the data adequacy decision as key for trade facilitation, services, and economic growth between the UK and EU. We would also welcome a balanced dialogue on longer-term options for the UK-EU data relationship. These include placing it on a more permanent footing by removing the uncertainty of a five yearly review and renewal process.

75%

Proportion of UK data flows from the EU of total inbound data flows to the UK globally.

Youth Mobility

Previous arrangements, involving free movement of workers from the European Economic Area (EEA), ended on 31 December 2020, although applications for settled status in the UK by EU nationals have continued.

No provisions on youth mobility were negotiated as part of the TCA. This is now widely seen by business, labour, and third sector stakeholders as a serious omission. It affects everything from school trips to summer jobs in either labour market.

By contrast, the UK has agreed a substantial youth mobility scheme with Australia, covering all under 35s with visas, for up to three years in duration. This allows young people from either country to work in the other^{lxix}. Such schemes are time limited, subject to effective enforcement, and are different from former arrangements on free movement of workers and dependents, which applied in the latter period of the UK's membership of the EU.

The EU proposed a youth mobility scheme in spring 2024 which was not approved by either the previous government or current government^{lxx}. However, a change in position occurred in late summer 2025, when Ministers began to publicly mention the benefits of a balanced youth mobility scheme.

Negotiations are now underway. **The BCC supports a balanced, capped, but ambitious arrangement. It should allow young people up to the age of 35 to work, study and visit the other territory for up to three years. This would benefit economic growth in both the UK and EU. We would encourage negotiating teams to reach a successful outcome in 2026.**



SECTION 3

CO-OPERATION AND PARTICIPATION IN EU PROGRAMMES

Horizon Europe

The UK rejoined Horizon Europe in September 2023 as an associate member. This means it has benefitted from inclusion in the current EU spending period. More than £1bn of grants and awards have been made through the Programme. These have been focused on science, research, clean energy, AI and innovation, alongside enhanced international collaboration.

The UK government is currently focused on UK researchers maximising collaboration opportunities with companies in Spain and Germany, given the profile of UK participation and projects^{lxxi}.

The programme is being refitted for the 2028-2034 multi-year financial framework (MFF) of the EU, known as FP10, with a proposed €175bn budget^{lxxii}. The redrawn scheme is seen as a key element of the EU's Competitiveness, Prosperity and Security agenda, underpinned by four pillars and a more streamlined approach to awarding funding. Once confirmed through the EU budget process, the UK will need to renegotiate its terms for future participation.

The UK government and European Commission should reach agreement quickly for UK participation in the programme for this next period. Given the alignment between the goals of the refitted programme and UK innovation and industrial policies, the benefits are clear for UK science, higher education research and the private sector.

€175bn

Proposed budget for Horizon Europe between 2028-2034, of which the UK is an associate member.

Security and Defence

The UK and EU confirmed a Security and Defence Partnership Agreement^{lxxiii} at the Leaders' Summit in May 2025. This ended a period of more than four years when no formal mechanisms existed. During that time, the war in Ukraine has required considerable defence, security and sanctions co-ordination between the UK and EU. UK defence exports to the EU have greatly increased since the war started. They accounted for 33.5% of overall UK defence exports in 2023, the largest share of any region^{lxxiv}.

The Agreement includes six monthly dialogues at top UK Ministerial and EU High Representative levels, potential inclusion in EU Council meetings or similar events in the UK and dedicated and thematic dialogues.

These will cover issues including:

- Maritime security
- Space security
- Regional security
- Peace building and crisis management
- Emerging disruptive technologies
- Cyber security
- Resilience of critical infrastructure
- Counter terrorism.

It also provided for both sides to enter into negotiations on a secondary agreement to allow the UK to enter the SAFE (Security Action For Europe) programme^{lxxv}. This is a €150bn scheme, backed by loans and guarantees, for defence procurement requirements, led by the EU.

It allows associate members' defence companies to bid alone, or in consortia with EU firms, for orders commissioned by EU member states. Companies, of states involved, can bid for contracts where as much as 65% of the content can be of non-EEA-EFTA/Ukraine origin. By contrast for countries outside the programme, their companies are limited to procurement where a maximum of 35% of the value of the systems can be of non-EEA-EFTA/Ukraine origin. Conditions are tougher still in terms of category two products like air and missile defence systems, underwater capabilities, some classes of drone, and AI systems.

The UK government had hoped to agree entry into the programme by the end of November, by which time EU members' primary National Defence Investment Plans were being finalised. However, the negotiations did not successfully conclude, principally over the level of financial contribution required from the UK to enter the programme.

The BCC position is that, while the benefits of later participation are not as optimal, the programme remains open for third countries to join at the enhanced level. **Therefore, both sides should return to the negotiating table and seek to make a balanced, mutually beneficial agreement for defence industries and European security interests, in early 2026.**

Erasmus+

In the Common Understanding document, the UK and EU agreed to negotiate UK re-accession to Erasmus+. This is the EU's programme for co-operation on education, skills, training, apprenticeships, academic and student exchanges, and sporting and cultural exchanges. Negotiations were successful in December 2025, and the UK will now re-enter the Scheme during 2027.

The UK government should work with business on rollout of Erasmus+ in time for autumn 2027, so it can maximise benefits from participation, and shape the future of the Scheme under the next EU MFF. It should then make the necessary implementation arrangements to ensure the most is made of the opportunities for exchanges between the UK and EU. The interaction between Erasmus+ and Horizon Europe would also improve the potential benefits from participation in both schemes.



SECTION 4

REGULATORY DEVELOPMENTS – EMERGING ALIGNMENT VERSUS MANAGING DIVERGENCE

EU rules have ceased to have direct effect in the UK since January 2021 and the expiry of the transition period, apart from in Northern Ireland. The EU (Withdrawal) Act 2018 provided for necessary EU legislation, caselaw and associated rules to be given effect in the UK, to ensure economic and legal continuity.

Under the TCA, both sides agreed to regulatory co-operation while respecting their own autonomy to change legislation as two distinct territories. In most sectors, a policy of soft alignment with the substance of new EU legislation has been pursued, particularly since 2022. Although there have been some exceptions on climate and environmental rules, and occasional divergence on food legislation. Nevertheless, there is a lack of a strong policy framework, effective scrutiny, and consultation with business and other stakeholders on incoming regulation from the EU. This matters because of the ‘reach across’ effects of this new legislation on UK companies seeking to export or undertake commercial activities in the EU.

Regulatory divergence

So far, divergence has, in part, been in relation to some climate standards policies, and limited parts of the rulebook on agri-food. But the biggest shift has been on initiatives in financial services and banking, such as the Edinburgh Reforms^{lxxxvi}.

The EU’s trade and industrial policies have continued to evolve. Firstly, this was through the Open Strategic Autonomy approach in the last institutional mandate, and then a renewed focus on competitiveness and economic security in the current mandate^{lxxvii}. The Chips Act^{lxxviii}, Anti-Coercion instrument^{lxxix}, and the Green Deal^{lxxx} were all adopted as part of the EU’s industrial strategy and economic security agenda. A new strand on the Made in Europe agenda has recently emerged, although the implications of this policy and consequences for UK-EU supply chains are not yet clear and the full programme is not due for publication until the end of January 2026.

In 2024, a pragmatic approach, endorsed by the BCC, resulted in an agreement to treat UK companies complying with sanctions against Russia in the same way as EU companies. This followed a precedent reached with Switzerland. This aided many UK companies, who could not comply with evidential requirements on third country exporters providing mill certificates for steel.

Overall, a new approach on regulatory co-operation between the UK and EU is required in the form of renewed commitments and joint working between government and stakeholders in both markets. This would provide greater insight into regulatory approaches being taken and allow closer working on implementation and guidance. There are some examples of this happening such as on the General Product Safety Regulation and the EU Carbon Border Adjustment Mechanism Regulation.

The Agreement on Competition Co-operation is expected to enter into force sometime in 2026, following an intention to adopt the agreement through the Common Understanding process. This will facilitate better information sharing and enforcement efforts, allowing direct cooperation between the UK Competition and Markets Authority with the European Commission and member state competition authorities^{lxxxi}.

Carbon leakage policies

The EU’s Carbon Border Adjustment Mechanism (CBAM) started its phased introduction on 1 October 2023. It is the EU’s flagship measure to deal with carbon leakage. This is the importation of products into the EU which use production processes that release higher levels of carbon dioxide and other Greenhouse Gases (GHGs) than it allows. This risk of carbon leakage may be higher in certain energy-intensive industries^{lxxxii}. When fully in place from January 2026, the system will impose charges on goods which originate from third-party sources which do not operate equivalent climate regulations. These will be based on the difference between the assessed carbon price of goods under the EU’s carbon pricing, through its Emissions Trading Scheme (ETS), and the origin country of the goods being imported. Importing companies in the EU must purchase and surrender CBAM certificates, from February 2027 to account for the difference in carbon price of the inputs into goods in scope.

The key obligation from the EU CBAM is on the importer of record in the EU to report on the GHGs embedded into the group of products to which the rules apply^{lxxxiii}. This includes iron and steel (including downstream uses of these by manufacturers), hydrogen, fertiliser, cement, aluminium, and electricity. Eventually the scheme will cover more than half of all goods within scope of the EU ETS. The reporting obligation means GB exporters must provide details of any products, in scope of this phase of CBAM, sent to the EU. This covers direct and indirect emissions (e.g. electricity used in production of goods). These are reported by the importer in the EU on a quarterly basis. In late 2025, new draft rules on the extension of CBAM into downstream goods like fridges and washing machines, manufactured from iron and steel, from 2028, were drawn up by the European Commission, to tackle potential circumvention of the CBAM.

In terms of the Implementing Regulation^{lxxxiv} and the guidance for third country economic operators^{lxxxv}, businesses in Great Britain exporting to the EU are advised to compile a list of all goods they produce. This should include those made with precursors obtained from outside their production facilities. They should then check the list against the range of products in Annex 1 of the EU CBAM regulations to establish which of their goods fall within scope. A specific template for communications between the exporting producer, outside the EU, and the importer of record, inside the EU, is recommended for use. This provides a comprehensive picture of embedded emissions within CBAM goods - required to meet the reporting obligations. Producers in Great Britain now have to adopt processes for weekly, and in some cases daily, monitoring of greenhouse gas usage, to provide information for the reporting requirements. Implementation has continued at pace throughout 2025, with a new amending Regulation introducing a de minimis exemption for companies importing less than 50 tonnes of CBAM goods per annum. This exempts 90% of SMEs, while still covering 99% of emissions in scope^{lxxxvi}.

The previous UK government consulted in 2023 on similar policies to tackle carbon leakage^{lxxxvii}, including the introduction of a UK CBAM later this decade. The current government produced its response to the consultation in October 2024^{lxxxviii}. This commits to introducing a UK CBAM in January 2027, through the Finance Bill post-Budget 2025. Reporting requirements on direct embedded emissions on goods in scope like steel, iron, aluminium, hydrogen, fertiliser, and cement will be introduced from 2028, and a CBAM rate being eventually applied to imported goods where differentials in the carbon price exist. Inclusion of indirect emissions will not occur until 2029 at the earliest^{lxxxix}.

The BCC's policy approach is to support the creation of a UK CBAM in 2027. The negotiations now underway to link the Emissions Trading Schemes of the UK and the EU should be concluded as soon as possible in 2026. This will provide an exemption of goods in scope from the CBAM applicable in the other market once a deal is implemented.

Corporate responsibility and supply chains legislation

The timing of implementation of the EU Deforestation Regulation^{xc} has now been agreed by the EU institutions in late 2025. The main feature of the deal is that it will come into effect for larger companies at the end of 2026, and for micro, small and medium enterprises (MSMEs) in July 2027. It will create reporting requirements for small and large businesses alike, while excluding products which contribute to deforestation from entering the EU Single Market. The UK government is shortly to launch a consultation on its own economic security agenda and responsible business conduct review. This could potentially update legislative approaches on labour and human rights in the supply chains to produce goods.

Forthcoming EU regulation table and impacts upon business

Legislative plans currently before the EU institutions with key relevance for UK businesses:

Revised Union Customs Code (UCC)

Major reforms of EU customs rules and processes, including e-commerce, EU Single Data Hub, and a single EU customs authority.

EFFECTS

Will have significant longer-term effects for GB traders sending goods to the EU, starting with e-commerce transactions from 2028. Abolition of de minimis threshold from January 2026 and import charges per item from April 2026 will also impact upon GB goods exporters. As of autumn 2025, Council of the EU has adopted its negotiating mandate for further dialogue with the European Parliament.

Industrial Decarbonisation Accelerator Act

Establishes new procurement and sustainability criteria for energy-intensive industries.

UK exporters to the EU in steel, chemicals, and manufactured goods may face new content and sustainability requirements, impacting supply chains and competitiveness. UK firms may need to adapt production processes and demonstrate compliance with new EU standards to maintain market access.

EFFECTS

Introducing new sustainability criteria as well as considerations for EU labelling or marking of relevant goods could create implicit barriers to procurement for third country suppliers like GB.

Critical Raw Materials Act

Establishes EU measures to secure access to critical raw materials essential for green and digital transitions.

UK firms in mining, manufacturing, and tech may face new sourcing and reporting requirements. Potential for increased competition and supply chain disruption depending on subsidies policies and stockpiling.

EFFECTS

Additional reporting requirements for third country (GB) supply chain participants would be unwelcome. Potential effects on the UK Internal Market, if added via Windsor Framework, should also be considered.

Simplified Tariff Treatment for Distance Sales

Simplifies tariff treatment for distance sales and eliminates customs duty relief thresholds – now from January 2026 on temporary basis until full implementation in 2028.

UK e-commerce and logistics firms will face new customs processes and loss of low-value shipment exemptions, increasing costs for cross-border sales.

EFFECTS

Ending of the duty relief and VAT relief exemption for low value consignments will have significant effects for GB e-commerce merchants.

Third Omnibus Package (Small Mid-Caps)

Redefines firms classified as small mid-caps (based on their size and turnover) and aims to remove inefficient paper requirements.

UK firms with EU operations may benefit from reduced reporting burdens and more proportionate regulation but must adapt to new definitions and digital processes.

EFFECTS

New EU definition for small mid-caps would apply to companies with fewer than 750 employees and either up to €150 million in turnover or up to €129 million in total assets. Could be benefits for some UK companies operating in the EU, but need to be balanced against any transition costs or duplication costs in reporting or IT.

Clean Industrial Deal

EU initiative to promote clean technology, new business models, and secure the EU as an attractive location for manufacturing, especially for energy-intensive industries. It is expected to include a new (temporary) state aid framework to support decarbonisation and clean energy investment.

UK manufacturers and exporters—particularly in energy-intensive sectors—may face increased competition from EU firms benefiting from new subsidies and regulatory support.

EFFECTS

British-based manufacturers have had difficulties with competing with manufacturers based overseas who have benefited from Government subsidies which have made their products cheaper overall.

Financial Services – Market Funds Regulation

Revises rules on money market funds to improve resilience and transparency.

EFFECTS

UK asset managers and financial institutions may face new disclosure and liquidity requirements when operating in the EU.

EU Start-up and Scale-up Strategy

Seeks to remove barriers for start-ups and scale-ups, improving access to capital, and boosting innovation.

EFFECTS

UK tech/finance sectors may see new opportunities for collaboration but could face enhanced competition from EU-registered start-ups benefiting from streamlined rules and funding.



Dynamic alignment

If the Common Understanding negotiations on SPS, ETS linkage and future negotiations on electricity provide agreements, a key element in those sectors will be dynamic alignment. The UK government (plus devolved administrations and other public bodies) will be under obligations to keep UK regulations and practices in lockstep with those of the EU in the agreed sectors. These will be defined with reference to the rules, legislation and objectives detailed in each of the agreements. Disputes would likely be resolved by a tribunal process, but the ultimate legal arbiter on questions of interpretation of relevant EU law would be the European Court of Justice.

Arrangements would be made for some UK involvement, as a third country, in the decision-making process. But these should start to be considered now with reference to business interests and inputs, in both the UK and EU, to ensure they are as extensive as possible.

Unilateral alignment

The UK has embarked upon unilateral alignment with EU legislation and other decisions, particularly in areas essential to retain CE marking on highly regulated goods sectors. This was underlined by the passing of the PRAM Act. This involves processes for engagement between government and business on draft legislation. These are required to keep the UK (in respect of Great Britain) in lockstep with relevant EU rules which affect ongoing CE marking status on relevant goods.

Mutual recognition

Future agreements between the UK and EU could develop a further strand in regulatory relationships between both sides. This could include mutual recognition arrangements, particularly in respect of professional qualifications and conformity assessment. Both sides have made similar arrangements with other third countries in the past.

Conclusions

On regulation more widely, there is good sense in keeping business costs lower, by the UK aligning with certain decisions adopted by the European Union on traded goods. This is particularly true for those in highly regulated sectors, where there is a strong export relationship between the UK and EU. More generally, there is also a powerful case for closer regulatory co-operation between the EU and UK. This would smooth business compliance frictions, particularly given key new regulatory developments affecting UK traders set to come into force in the coming years. The Common Understanding negotiating strands are likely to lead to new regulatory relationships between the UK and EU being formed. These will create dynamic alignment in sectors like agri-food and potentially electricity trading, which will put early UK involvement in EU decision making at a premium. Added to the new processes under the PRAM Act, and potential mutual recognition arrangements in the future, a more complex set of relationships could quickly develop. These will need regular business input and dialogue to function effectively.





SECTION 5

THE BUSINESSES VIEW ON EU TRADE IN 2025

The British Chambers of Commerce's Insights Unit runs an extensive research programme which has been surveying businesses on attitudes towards trade for many years.

Since 2021, we have been assessing the ease or difficulty with which businesses have adapted to new rules affecting EU trade and seeking business views on wider trade issues. This report draws on the most recent data collected by the BCC Insights Unit, in its annual International Trade Survey from October-November 2025. This received 989 responses from businesses across the UK, with 29% in the manufacturing sector, 58% in services, and 13% in the public or third sectors. A total of 96% of participants were SMEs (fewer than 250 employees). Additionally, 39% of respondents reported that they export, which is just under the overall export profile of Chamber member businesses.

The survey revealed issues with current economic and trading conditions for SMEs, including:

- Exporters continue to struggle with post-Brexit trade barriers, and do not feel the TCA is enabling them to grow.
- The number of exporters disagreeing with that statement in 2025, compared with 2024, is up by 13 percentage points, to half of all exporting companies.
- Firms have strong level of awareness of the impact of changes - (40%) on forthcoming EU customs changes in 2026 and 2028, and (41%) on the General Product Safety Regulation, implemented in 2024.

BCC surveys also receive hundreds of comments from businesses. Below is a selection of their experiences of trade with the EU:

Agree that TCA helps business growth:

"It is making [it] easier for us to source suppliers"

"It's slightly better than no-deal with the EU"

"Easier to get access to European market"

"The TCA enables tariff-free [trade] on imports into EU."

Disagree:

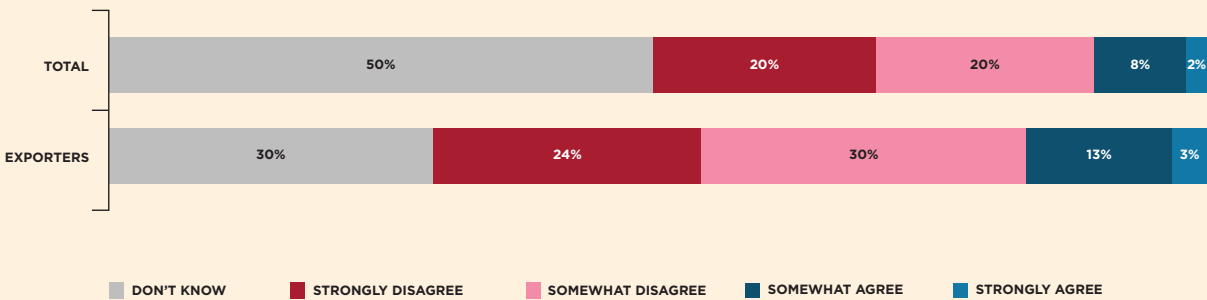
"More red tape without any assistance"

"Administration costs making product less competitive"

"Since Brexit our export sales have virtually stopped. The TCA has had no impact in recovering any sales into the EU."

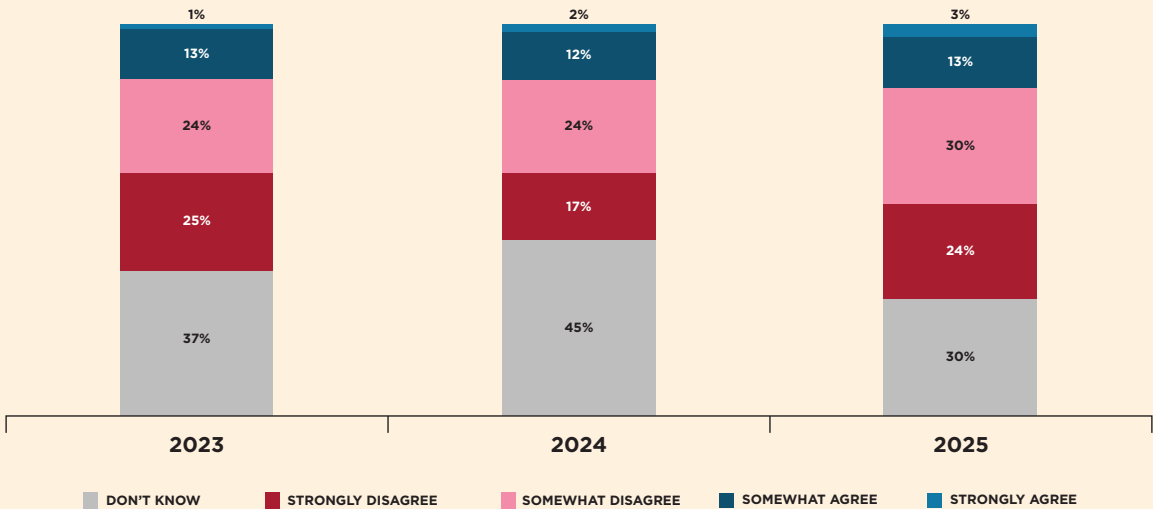
"The TCA has still far more impact than before Brexit. The deal compensates a bit, but it costs money and takes time."

GRAPH 1
Over half of exporters disagree the TCA is enabling them to grow or increase sales, a rise of 13 percentage points since 2024, and back to levels seen in 2022/2023...
...while only 16% of exporters agree it is helping them.



Question to business respondents: To what extent do you agree or disagree that the UK EU Trade and Cooperation Agreement (TCA) is enabling your organisation to grow or increase sales? BASE: (Total: N = 939; Exporters: N = 376)

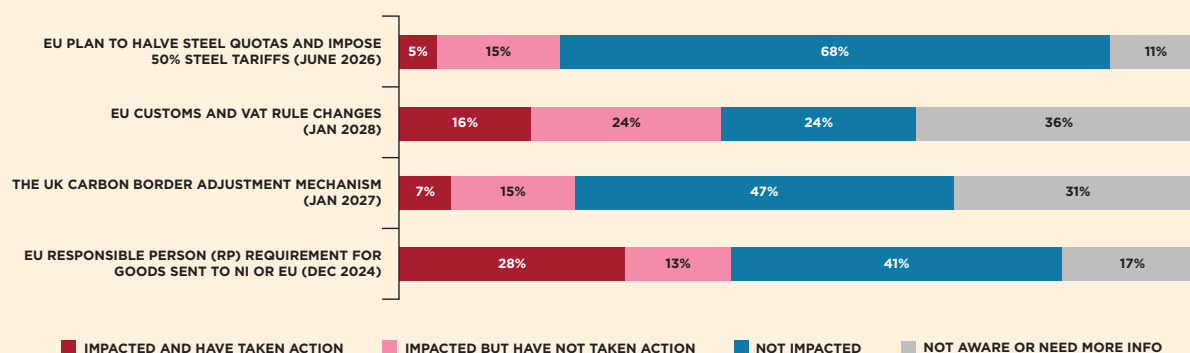
GRAPH 2
The proportion of exporters dissatisfied with the TCA has grown to 54% in 2025, up by 13 percentage points compared with 2024



Question to business respondents: To what extent do you agree or disagree that the UK EU Trade and Cooperation Agreement (TCA) is enabling your organisation to grow or increase sales? [Exporters only] BASE: (2023: N = 311 ; 2024: N = 478 ; 2025: N = 376)

GRAPH 3

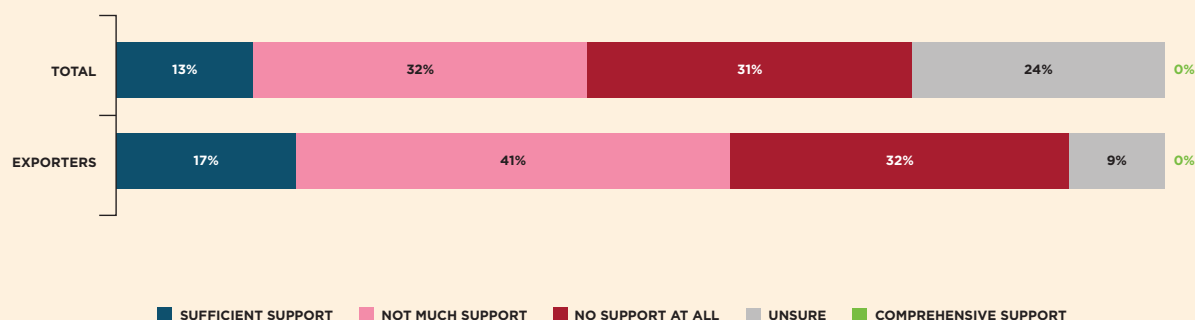
Exporters engagement with EU General Product Safety Regulation, forthcoming customs changes and forthcoming new EU steel quotas and safeguard duties among key trade changes surveyed



Question to business respondents: Is your business impacted by any of the following changes to global trade?
 BASE: (Exporters: N = 380)

GRAPH 4

0% of firms feel they have comprehensive support from government to manage changes on trade policy at the UK and global level. Almost three quarters of exporters feel they have not much or no support at all



Question to business respondents: In general, do you feel you have enough support from government to manage changes in trade policy at the UK and/or global level? BASE: (Total: N = 946; Exporters: N = 379)

Conclusions from this year's survey

Worryingly, no companies feel they have comprehensive support from government to manage the range of trade policy developments affecting them across global markets. Only 13% overall and 17% of exporters felt the support provided is sufficient. 63% overall and 73% of exporters felt the support offered by government was not much or none.

A higher proportion of businesses (54%) feel in 2025 that the TCA is not leading to increased sales growth than the previous year – a 13-percentage point rise. A higher proportion of firms were dissatisfied with trading terms under the TCA compared with the previous year. This can be partially explained by the fact that the picture has not remained static since 2021. New regulations have emerged, affecting trade with the EU, and increasing compliance burdens over the past five years.

Despite most of the changes being two years away in terms of implementation timelines, there was a high proportion of exporters expecting to be impacted by forthcoming EU customs changes (40%). The proportion impacted by of the EU General Product Safety Regulation was also high at 41%. By contrast, only 22% of exporters expected to be impacted by the introduction in 2027 of the UK CBAM. For goods exporters, changes in EU trading and regulatory terms still have the greatest impact upon them.



SECTION 6

UPCOMING POLICY TIMELINE

Key changes in the next three years:

1 January 2026

- Definitive phase of EU CBAM due to be implemented.
- Full implementation of EU rules on veterinary medicines in Northern Ireland – UK government has introduced mitigation schemes to deal with any supply chain disruption.
- New PEM Convention rules on rules of origin, tolerance levels and cumulation come into effect.

26 January 2026

- North Sea Energy Summit - Hamburg

April 2026

- Full implementation of EU Entry/Exit Scheme (EES) at all Schengen external borders, replacing passport stamping at the border for all non-EU/EEA/Swiss nationals.

June 2026

- New EU steel quotas and safeguard duties come into effect. UK quotas and duties on steel due to be re-applied or revised at same time.

July 2026

- New EU customs duties of €3 per consignment (or €3 per item in each consignment of a different commodity code) to be applied from 1 July 2026 subject to agreement between the EU institutions. Will affect traders from GB.

August 2026

- EU AI Act comes into effect.

TBC 2026

- 2026 UK-EU Leaders' Summit.

December 2026

- EU Deforestation Regulation (EUDR) set to enter into effect for larger businesses – including UK companies. Will cover cattle, coffee, palm oil, rubber, soya and wood products and derivations thereof, including meat, leather, chocolate, paper, and printed books - produced on or after 29 June 2023.

1 January 2027

- Introduction of UK CBAM.
- Expiry of UK-EU arrangements on electric vehicles content requirements, as set out in rules of origin within the TCA.

January 2028

- Revised EU UCC takes effect in EU and Northern Ireland.

July 2028

- EU Corporate Sustainability Due Diligence Directive comes into effect in relation to larger companies.



SECTION 7

OUR POLICY RECOMMENDATIONS

Given the range of issues which Chamber member companies have raised on the realities of trade with the EU in 2025, our policy recommendations are split into three categories:

1

Priorities for reset negotiations and dedicated dialogues underway and continuing into 2026 after the Leaders' Summit in May 2025.

This would be with a view to securing new agreements to sit alongside the TCA, or taking implementing decisions within the legal framework of the TCA

2

Medium-term issues, which could be addressed by the Leaders' Summit in 2026 and the potential second tranche of negotiations to follow that. These go beyond the initial Common Understanding negotiation priorities and the technical review in 2026, mandated by the TCA.

3

Longer-term issues, which will require a more substantial evaluation of any improvements in trade delivered by the outcome of the reset negotiations. And other key areas of future development of the economic and trading relationship that need to be progressed.



1

Priorities for the Common Understanding and associated negotiations in 2026

1. Deliver a deep veterinary or animal origin and plant product (SPS) agreement with the EU. Eliminating the need for Export Health Certificates, phytosanitary certificates and associated checks on agri-food imports and exports between GB and the EU. Ensure this also delivers real improvements in moving food products between Great Britain and Northern Ireland, including associated compliance burdens and labelling requirements.
2. Deliver a comprehensive and balanced Youth Mobility scheme applicable to under 35s in the UK and EU. This must cover school visits and exchanges, and the ability to work and receive training under time-limited visas for up to three years.
3. Deliver an agreement linking the Emissions Trading Schemes of the UK and the EU, exempting affected goods moving between the UK and EU from their respective CBAMs. Resolve the position of Northern Ireland goods within the applicable CBAM framework.
4. Deliver an agreement providing UK reintegration into the EU Single Electricity Market (SEM) and make suitable arrangements to replicate this with Norway.
5. Resume negotiations and successfully deliver an agreement on UK participation in the EU SAFE facility for defence procurement.
6. Deliver on UK participation in Erasmus+ in all its dimensions, including training, apprenticeships and exchanges for work and education. Make quick progress on the formation of the National Agency to implement this participation.
7. Ensure businesses have a strong voice in the process of engagement with future EU legislation involving dynamic alignment arrangements. This will include any deals on SPS, ETS linkage and electricity. Businesses must not face new trade barriers through passive regulatory divergence. There must be appropriate scrutiny and their voices must be heard by policymakers.
8. Develop a closer partnership on competition policy, through the newly signed Competition Co-operation Agreement. Ensure better information sharing, enforcement and co-ordination between the EU and UK across key sectors.
9. Ensure the UK benefits from the renewal of the EU's data adequacy decision, so that data continues to flow seamlessly between both markets until the end of 2031.
10. Negotiate appropriate UK specific-quotas for product categories 1-7, 12, 14-27 in the draft EU regulation on steel safeguard duties and quotas. Recognising the strong links between UK production and EU supply chains in areas such as flat and long steel products in automotive, construction, tubing, appliance, and machinery manufacturing sectors.

2

Medium term aims for Leaders' Summit 2026 and TCA Review

1. Extend the scope of rules of origin provisions on electric vehicle batteries beyond 2027, to take account of the current and future contours of electric vehicle battery supply chains. Produce a common strategy for supply chain adjustments and critical imports to increase UK and EU battery sourcing, as required by the TCA rules of origin.
2. Agree a critical imports and supply chains accord between the UK and the EU to future-proof continuity of supply of key components, goods, minerals and inputs required in UK-EU supply chains. Recognise the central role of UK content in pan-European sourcing and supply chains across many industrial sectors.
3. Negotiate a supplementary mutual recognition agreement on conformity assessment and markings for industrial, electrical and electronic goods.
4. Remove the requirement to make safety and security declarations on goods movements in both directions from Great Britain and the EU, by an agreement based on the EU-Switzerland arrangements.
5. Deliver further flexibility on travel for business purposes and the range of business activities which can be undertaken. With reference to Annex 21 of the TCA, this should include the ability to seek new clients or customers in the other market by in-person short stay journeys.
6. Prioritise professional and regulatory bodies reaching balanced agreements with their regulatory counterparts in the EU on mutual recognition of professional qualifications. This should be underpinned by a new UK-EU mutual recognition agreement on professional and technical qualifications.
7. Negotiate the UK re-joining the Pan-Euro-Mediterranean (PEM) Convention in terms of the 2026 rules, to provide additional supply chain flexibility for UK companies.
8. Reach an agreement through the relevant Specialised Committee on VAT cooperation and data sharing with the EU. This should remove the requirement for UK (GB) companies to hire a fiscal intermediary in the EU to conduct cross-border trade. This already exists for companies in Norway, under the Norway-EU VAT cooperation accord.
9. Increase engagement between the UK government and the European Commission (and in the future, the proposed European Customs Agency) to develop simpler guidance on customs, rules of origin and other key issues. Joint guidance should be produced which is clear, practical, and accessible for business in both the EU and UK.

3

Longer-Term Aims

1. Consider the balance between reservations and market access for services. This should consider the economic priorities for both sides in a global context, where services exports provide the greatest opportunity to boost growth.
2. Examine the case for a permanent Treaty-based commitment, with appropriate enforceable obligations, on cross-border data flows. This would remove the uncertainty of five yearly reviews of the data adequacy relationship.
3. Deepen VAT co-operation and adopt common regulatory approaches. Facilitate e-commerce and greater cross-border trade in goods, by cutting cross-border VAT red tape. Produce a cost benefit analysis on a cross EU/UK framework for VAT on traded goods.
4. Deepen provisions on digital trade and facilitate trade in green goods and services, to ensure these can be traded in both directions at lower cost and with fewer barriers on market access.
5. Develop deeper regulatory cooperation on conformity assessment, chemicals and technical barriers to trade. Where strong economic and business arguments exist then trade volumes should be increased, and regulatory compliance costs lowered.
6. Consider the convincing case for the UK rejoining the Lugano Convention, to allow businesses certainty on enforcement of civil and commercial judgements in the UK and the EU.

SECTION 8

CONCLUSIONS

Five years of the TCA, together with aftershocks from the pandemic, the war in Ukraine, and extreme inflationary pressures, have created powerful economic headwinds for UK trade with the EU. There is conclusive evidence that companies have withdrawn from exporting to our largest market because of the regulatory compliance burdens involved, which have increased over time since 2021.

Trade with the EU accounts for 41.1% of all UK exports. Some of these headwinds may yet prove cyclical, but others are now clearly structural in nature. They have already led to changes in commercial behaviour and operations, particularly around business mobility, labour market access, rules of origin and VAT. The difficulties in using the TCA have not significantly improved for many firms as the years have passed. Indeed, this year saw a 13-percentage point rise in companies, in our trade survey, reporting it is not helping them increase their sales.

Real progress has been made in the UK and EU relationship, but 2026 must be the year of delivery for agreements on SPS, ETS linkage, youth mobility, Defence and Electricity. However, the ambitions of British business for simpler, quicker, cheaper trade with the EU do not end there. Firms want to see more action from the Specialised Committees and the 2026 Leaders' Summit on customs, business mobility, and VAT.

If 2025 ends with expectation, then 2026 must begin with hope for UK and EU businesses alike about the pace of delivery in the year ahead. By following our roadmap, leaders in the UK and EU can help businesses thrive in a renewed economic and trade relationship - boosting economic growth, security and competitiveness across our continent.



REFERENCES

- i. Part of the UK Withdrawal Agreement from the EU.
- ii. [https://www.gov.uk/government/statistics/trade-and-investment-core-statistics-book/trade-and-investment-core-statistics-book#:~:text=UK%20exports%20to%20the%20EU,April%20to%20June\)%202025](https://www.gov.uk/government/statistics/trade-and-investment-core-statistics-book/trade-and-investment-core-statistics-book#:~:text=UK%20exports%20to%20the%20EU,April%20to%20June)%202025) accessed on 28 November 2025.
- iii. See eg. EU Delegation to the WTO statement on the First Trade Policy Review of the UK, October 2025 https://www.eeas.europa.eu/delegations/world-trade-organization-wto/eu-statement-1st-trade-policy-review-united-kingdom-28-october-2025_en accessed on 28 November 2025.
- iv. See Office for Budget Responsibility, Economic and Fiscal Outlook (November 2025), pp 46 https://obr.uk/docs/dlm_uploads/OBR_Economic_and_fiscal_outlook_November_2025.pdf accessed on 28 November 2025.
- v. See J Du et al, Unbound: UK Trade post-Brexit (Centre for Business Prosperity Research Paper, September 2024). Accessed at <https://www.aston.ac.uk/sites/default/files/2024-09/Full%20Report.pdf> on 28 November 2025.
- vi. See J Du, G Messenger and O Shepotylo (2024), Enhancing the Brexit Deal: Exploring the Impact of a UK-EU Veterinary Agreement on Agri-food Trade (Centre for Business Prosperity Research Papers) at https://www.aston.ac.uk/sites/default/files/2024-12/deep-trade-agreements-and-trade-in-agriculture-and-food_v12.pdf accessed on 28 November 2025.
- vii. See <https://www.legislation.gov.uk/ukpga/2025/20> accessed on 28 November 2025.
- viii. https://commission.europa.eu/document/download/6f636fa0-30d4-4c05-a713-64484ad913fa_en?filename=Draft%20Renewal%20of%20EU%20adequacy%20decision%20for%20the%20UK%20under%20the%20GDPR.pdf accessed on 28 November 2025.
- ix. See Regulation (EC) No 1907/2006 as amended accessed at <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:02006R1907-20250901> on 28 November 2025.
- x. See Regulation (EU) 2023/988 accessed at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023R0988> on 28 November 2025.
- xi. <https://www.britishchambers.org.uk/news/2024/11/customs-procedures-still-holding-back-uk-exports/> accessed on 28 November 2025.
- xii. Regulation (EU) 2023/956 as amended by Regulation (EU) 2025/2083 accessed at <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:02023R0956-20251020> on 28 November 2025.
- xiii. See the draft regulation at [https://ec.europa.eu/transparency/documents-register/detail?ref=COM\(2025\)726&lang=en](https://ec.europa.eu/transparency/documents-register/detail?ref=COM(2025)726&lang=en) accessed on 28 November 2025.
- xiv. Regulation (EU) 2023/1115 as amended by Regulation (EU) 2024/2324 accessed at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02023R1115-20241226> on 28 November 2025.
- xv. See https://taxation-customs.ec.europa.eu/news/e-commerce-150-eur-customs-duty-exemption-threshold-be-removed-2026-2025-11-13_en accessed on 28 November 2025 and <https://www.consilium.europa.eu/en/press/press-releases/2025/12/12/customs-council-agrees-to-levy-customs-duty-on-small-parcels-as-of-1-july-2026/> accessed on 15 December 2025.
- xvi. Directive (EU) 2024/1760 as amended by Directive (EU) 2025/794 accessed at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02024L1760-20250417> on 28 November 2025.
- xvii. See the original proposed refitted legislation from 2023 at https://eur-lex.europa.eu/resource.html?uri=cellar:b2fb9bcf-f871-11ed-a05c-01aa75ed71a1.0001.02/DOC_1&format=PDF accessed on 28 November 2025.
- xviii. See Border Target Operating Model (August 2023) https://assets.publishing.service.gov.uk/media/67079d6492bb81fcdbe7b619/Final_Border_Target_Operating_Model.pdf accessed on 28 November 2025.

- xix. See <https://www.gov.uk/government/news/fruit-and-veg-import-checks-scrapped-ahead-of-uk-eu-deal#:~:text=The%20easement%20of%20checks%20has,SPS%20deal%20with%20the%20EU> accessed on 28 November 2025.
- xx. See <https://www.gov.uk/government/publications/preparing-for-the-new-safety-and-security-declaration-requirements> accessed on 28 November 2025.
- xxi. Cumulation is the concept whereby content which is not wholly obtained or transformed from the parties to a bilateral or plurilateral trade agreement may be included as qualifying content for the purpose of product specific rules of origin. It can apply in several forms, including diagonal or full cumulation with other trading partners. The UK negotiated extended cumulation provisions on EU content in its continuity rollover trade deals with Canada and South Korea around the expiry of the Brexit transition period.
- xxii. See https://taxation-customs.ec.europa.eu/customs-4/international-affairs/pan-euro-mediterranean-cumulation-and-pem-convention_en accessed on 28 November 2025.
- xxiii. <https://www.gov.uk/government/calls-for-evidence/pan-euro-mediterranean-convention-on-rules-of-origin-pem/pan-euro-mediterranean-convention-on-rules-of-origin-pem-call-for-evidence> accessed on 28 November 2025.
- xxiv. See <https://citp.ac.uk/publications/should-the-uk-join-pem> accessed on 28 November 2025.
- xxv. See Dr A Jerzewska, Should the UK rejoin PEM? (UKTPO Working Paper, 2025) accessed at https://www.uktpo.org/wp-content/uploads/2025/03/SHOULD-THE-UK-REJOIN-PEM_UKTPO_WP.pdf on 28 November 2025.
- xxvi. See https://taxation-customs.ec.europa.eu/document/download/720d8a85-52a8-4d7c-8b0b-751d92153a1d_en?filename=Guidance-Revised-PEM-rules-of-origin.pdf accessed on 28 November 2025.
- xxvii. See [https://www.gov.uk/government/news/tariffs-on-electric-vehicles-avoided-as-uk-and-eu-extend-trade-rules#:~:text=Press%20release-,Tariffs%20on%20electric%20vehicles%20avoided%20as%20UK%20and%20EU%20extend,today%20\(Thursday%2021%20December\)](https://www.gov.uk/government/news/tariffs-on-electric-vehicles-avoided-as-uk-and-eu-extend-trade-rules#:~:text=Press%20release-,Tariffs%20on%20electric%20vehicles%20avoided%20as%20UK%20and%20EU%20extend,today%20(Thursday%2021%20December)) accessed on 28 November 2025.
- xxviii. The UK's Modern Industrial Strategy (CP 1451, 2025) https://assets.publishing.service.gov.uk/media/69256e16367485ea116a56de/industrial_strategy_policy_paper.pdf accessed on 28 November 2025.
- xxix. See <https://www.gov.uk/government/publications/uk-critical-minerals-strategy/vision-2035-critical-minerals-strategy> accessed on 28 November 2025.
- xxx. See the original legislative proposals by the Commission from 2023 on customs <https://eur-lex.europa.eu/legal-content/EN/TXT/DOC/?uri=CELEX:52023PC0258>, e-commerce https://eur-lex.europa.eu/resource.html?uri=cellar:320a289b-f4c3-11ed-a05c-01aa75ed71a1.0001.02/DOC_1&format=PDF and VAT <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52023PC0262> accessed on 28 November 2025.
- xxxi. <https://www.britishchambers.org.uk/news/2025/11/customs-reform-needed-as-import-rules-change/> accessed on 28 November 2025.
- xxxii. https://taxation-customs.ec.europa.eu/news/transition-ics2-release-3-complete-limited-temporary-derogations-some-member-states-2025-08-29_en accessed on 28 November 2025.
- xxxiii. See https://taxation-customs.ec.europa.eu/customs-4/customs-security/import-control-system-2-ics2-0_en accessed on 28 November 2025.
- xxxiv. See eg. on application of rules on Authorised Economic Operators in this EU Court of Auditors report accessed at <https://www.eca.europa.eu/en/publications/SR-2023-13> on 28 November 2025.
- xxxv. https://taxation-customs.ec.europa.eu/customs-4/eu-customs-reform_en accessed on 28 November 2025.
- xxxvi. See eg. Frontier Economics <https://www.frontier-economics.com/uk/en/news-and-insights/articles/article-i8192-brex-it-and-interconnectors-a-45m-problem/> accessed on 28 November 2025.
- xxxvii. <https://circabc.europa.eu/ui/group/9198696f-e42c-4a88-b4f1-7a1788eb9b7c/library/6eba274d-4cae-4e40-b9b7-c9775812803a/details> accessed on 28 November 2025.

- xxxviii. <https://www.gov.uk/government/publications/trade-and-cooperation-agreement-partnership-council-declaration-number-1-for-2025-energy/trade-and-cooperation-agreement-partnership-council-declaration-number-1-for-2025-energy-html> accessed on 28 November 2025.
- xxxix. Eg. Directive (EU) 2019/944, Regulation (EC) 713/2009, as amended by Regulation (EU) 2019/943 (itself as amended by Regulation (EU) 2024/1747), Regulation (EU) 2019/942, Regulation (EC) 2019/941, and Regulation (EU) 2024/1106. This legislation is already applicable in Northern Ireland through the Windsor Framework – all accessed on 28 November 2025.
- xl. See Regulation 2023/2675 <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02023R2675-20231207> accessed on 28 November 2025.
- xli. <https://assets.publishing.service.gov.uk/media/68838f4ebe2291b14d11af2e/uk-trade-strategy-print.pdf> accessed on 28 November 2025.
- xlii. See <https://www.gov.uk/government/publications/cptpp-joint-ministerial-statements-trade-and-investment-dialogues-with-the-eu-and-asean-20-november-2025/comprehensive-and-progressive-agreement-for-trans-pacific-partnership-cptpp-joint-ministerial-statement-on-the-inaugural-trade-and-investment-dialog> accessed on 28 November 2025.
- xlili. See <https://www.gov.uk/government/publications/uk-critical-minerals-strategy/vision-2035-critical-minerals-strategy> accessed on 28 November 2025.
- xliv. See J Du et al (2023), *supra*.
- xlv. See M Gasiorek et al, *The Challenges Facing UK Firms: Trade and Supply Chains* (UKTPO, 2023) drawing upon BCC research accessed at <https://blogs.sussex.ac.uk/uktpo/files/2023/03/73-final.pdf> on 28 November 2025.
- xlvi. https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13186-VAT-in-the-digital-age/public-consultation_en accessed on 28 November 2025.
- xlvii. <https://www.britishchambers.org.uk/news/2018/08/bcc-comments-on-brexit-notice-a-start-but-businesses-need-more-detail> accessed on 28 November 2025.
- xlviii. See <https://www.gov.uk/government/news/uk-government-announces-extension-of-ce-mark-recognition-for-businesses>, *supra*.
- xlix. See <https://www.gov.uk/guidance/construction-products-regulation-in-great-britain> accessed on 28 November 2025.
- i. See <https://www.gov.uk/government/consultations/consultation-on-medical-devices-regulations-routes-to-market-and-in-vitro-diagnostic-devices> accessed on 28 November 2025.
- ii. <https://www.gov.uk/government/consultations/consultation-on-medical-devices-regulations-routes-to-market-and-in-vitro-diagnostic-devices/outcome/response-to-international-reliance-ukca-marking-and-in-vitro-diagnostic-devices-consultation-proposal> accessed on 28 November 2025.
- iii. <https://www.legislation.gov.uk/ukpga/2025/20> accessed on 28 November 2025.
- liii. <https://www.hse.gov.uk/reach/duin.htm> accessed on 28 November 2025.
- liv. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1038660/20211206-reach-letter-chemicals-industry.pdf accessed on 28 November 2025.
- lv. See <https://www.daera-ni.gov.uk/articles/reach-regulation> accessed on 28 November 2025.
- lvi. [https://ec.europa.eu/transparency/documents-register/detail?ref=COM\(2025\)726&lang=en](https://ec.europa.eu/transparency/documents-register/detail?ref=COM(2025)726&lang=en) accessed on 28 November 2025.
- lvii. See https://uncitral.un.org/sites/uncitral.un.org/files/media-documents/uncitral/en/mletr_ebook_e.pdf accessed on 28 November 2025.

- lviii. <https://www.gov.uk/government/news/uk-showcases-digital-trade-leadership-at-global-business-meeting> accessed on 28 November 2025.
- lix. See <https://www.gov.uk/government/collections/the-windsor-framework-further-detail-and-publications> accessed on 28 November 2025.
- lx. Regulation (EU) 2023/988 accessed at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023R0988> on 28 November 2025.
- lxi. See Annexes 21-22 of the Trade and Co-operation Agreement and this explainer at [https://trade.ec.europa.eu/access-to-markets/en/content/eu-uk-trade-and-cooperation-agreement#:~:text=The%20EU%20UK%20Trade%20and%20Cooperation%20Agreement%20\(TCA\)%20provides,computer%2Drelated%20and%20digital%20services%2C](https://trade.ec.europa.eu/access-to-markets/en/content/eu-uk-trade-and-cooperation-agreement#:~:text=The%20EU%20UK%20Trade%20and%20Cooperation%20Agreement%20(TCA)%20provides,computer%2Drelated%20and%20digital%20services%2C) accessed on 28 November 2025.
- lxii. See C Batog, The Reality of UK services trade post-Brexit (2025) <https://www.britishchambers.org.uk/news/2025/08/the-reality-of-uk-services-trade-post-brexite/> accessed on 28 November 2025.
- lxiii. See <https://cep.lse.ac.uk/pubs/download/dp2110.pdf> accessed on 28 November 2025.
- lxiv. See https://assets.publishing.service.gov.uk/media/5a8203daed915d74e3401461/The_exchange_and_protection_of_personal_data.pdf accessed on 28 November 2025.
- lxv. Article 45 (1), GDPR.
- lxvi. Directive (EU) 2016/680.
- lxvii. See <https://www.legislation.gov.uk/ukpga/2025/18/contents> accessed on 28 November 2025.
- lxviii. https://commission.europa.eu/document/download/6f636fa0-30d4-4c05-a713-64484ad913fa_en?filename=Draft%20Renewal%20of%20EU%20adequacy%20decision%20for%20the%20UK%20under%20the%20GDPR.pdf accessed on 28 November 2025.
- lxix. See eg. <https://minister.homeaffairs.gov.au/AndrewGiles/Pages/changes-to-working-holiday-maker-and-uk-youth-mobility-scheme.aspx> accessed on 28 November 2025.
- lxx. See https://ec.europa.eu/commission/presscorner/detail/en/ip_24_2105 accessed on 28 November 2025.
- lxxi. <https://www.gov.uk/government/news/uk-redoubles-horizon-push-as-kyle-forges-deeper-ri-links-with-eu#:~:text=It%20is%20part%20of%20comprehensive,Studies%20on%20River%2DSea%20Systems> accessed on 28 November 2025.
- lxxii. https://research-and-innovation.ec.europa.eu/news/all-research-and-innovation-news/horizon-europe-2028-2034-twice-bigger-simpler-faster-and-more-impactful-2025-07-16_en accessed on 28 November 2025.
- lxxiii. See <https://www.gov.uk/government/publications/uk-eu-security-and-defence-partnership/security-and-defence-partnership-between-the-european-union-and-the-united-kingdom-of-great-britain-and-northern-ireland> accessed on 28 November 2025.
- lxxiv. https://www.gov.uk/csv-preview/67bc420898ea2db44fadd41/Figure_2_uk_defence_export_statistics.csv accessed on 28 November 2025.
- lxxv. Created by Council Regulation 2025/1106 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202501106 accessed on 28 November 2025.
- lxxvi. See <https://www.gov.uk/government/collections/financial-services-the-edinburgh-reforms> accessed on 28 November 2025.
- lxxvii. See https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_645 accessed on 28 November 2025.
- lxxviii. Regulation (EU) 2023/1781 - see <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023R1781> accessed on 28 November 2025.

- lxxix. See <https://www.consilium.europa.eu/en/press/press-releases/2023/10/23/trade-council-adopts-a-regulation-to-protect-the-eu-from-third-country-economic-coercion/> accessed on 28 November 2025.
- lxxx. See https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en accessed on 28 November 2025.
- lxxxi. See https://eur-lex.europa.eu/resource.html?uri=cellar:27701c4b-3580-11f0-8a44-01aa75ed71a1.0019.02/DOC_1&format=PDF accessed on 28 November 2025.
- lxxxii. https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets/free-allocation/carbon-leakage_en#:~:text=Carbon%20leakage%20refers%20to%20the,increase%20in%20their%20total%20emissions accessed on 28 November 2025.
- lxxxiii. https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en accessed on 28 November 2025.
- lxxxiv. See Commission Implementing Regulation (EU) 2023/1773 at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023R1773> accessed on 28 November 2025.
- lxxxv. See https://taxation-customs.ec.europa.eu/system/files/2023-11/CBAM%20Guidance_non-EU%20231121%20for%20web_0.pdf accessed on 28 November 2025.
- lxxxvi. See https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202502083 accessed on 28 November 2025.
- lxxxvii. See <https://www.gov.uk/government/consultations/addressing-carbon-leakage-risk-to-support-decarbonisation> accessed on 28 November 2025.
- lxxxviii. See https://assets.publishing.service.gov.uk/media/672a00dfabb279b2de1e8b8a/_Updated__4038_-_Introduction_of_a_UK_Carbon_Border_Adjustment_Mechanism_from_January_2027_-_Government_response_to_the_policy_design_consultation.pdf accessed on 28 November 2025.
- lxxxix. <https://www.gov.uk/government/publications/factsheet-carbon-border-adjustment-mechanism-cbam/factsheet-carbon-border-adjustment-mechanism> accessed on 28 November 2025.
- xc. Regulation (EU) 2023/1115.



