DELIVERING GROWTH

TRADE



# THE FUTURE OF UK-EU RELATIONS

## Key goals for the 2026 Leaders' Summit

British Chambers of Commerce

WHERE BUSINESS BELONGS

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# 1. INTRODUCTION

This month's UK-EU Leaders Summit has the potential to be the most significant discussion between the two sides since Brexit. More than a decade after the referendum, and nearly six years after the Trade and Cooperation Agreement (TCA) took effect, it is clear the nature of the relationship needs to be revisited.

The British Chambers of Commerce has carried out annual surveys of businesses on the impact of leaving the EU since 2021. Their view has been consistent since day one - the TCA has not helped them increase their exports nor grow their business. And the data also tells a further story – instead of adapting to the changes and trade gradually improving, they have seen life get more difficult.

The wider world of trade and the surrounding geopolitics have moved on too. The World Trade Organisation's rules-based order has been brought into question, protectionism has risen, and tariffs and subsidised production have become commonplace.

All of this would have already placed huge importance on the discussions due to take place this autumn, but the UK's political context has also shifted. The government has directly acknowledged the urgent need to reassess the country's future relationship with the EU.

It has recognised that the current settlement and negotiation strategy places limits on how far trade barriers can be reduced. And it has directly connected the need for a new approach to improving the UK's economic outlook, security and long-term growth rates.

The next UK-EU Leaders' Summit therefore offers more than an opportunity to resolve immediate pressing issues. It creates a rare opening to consider what kind of relationship will best serve the UK for decades to come.

The economic case for doing so is compelling. The EU remains the UK's largest and closest trading partner, accounting for more than two-fifths of UK exports and almost half of imports.[i]

Businesses have adapted to the more burdensome trade rules since January 2021, but adaptation has not removed the cost of additional paperwork, border processes, regulatory duplication and restrictions on the movement of people and services. These barriers weigh most heavily on smaller firms, which have fewer resources to absorb them.

And this process of adaptation has not ended. It remains in constant flux as rules and regulations on both sides change and the EU and UK are forced to react to actions by other significant trading partners

Major economies are now using subsidies, tariffs, procurement rules and domestic-content requirements more actively. China has almost trebled its subsidy levels since the financial crisis and effective US tariffs have nearly trebled since March 2025. The EU is developing a stronger industrial and economic security strategy under the banner of Made in Europe. Unless the UK secures its place as a trusted partner, British businesses risk being pushed to the margins of supply chains they have helped build.

This leaves the UK with a stark choice. It can continue responding to problems one at a time, accepting recurring uncertainty and rising friction. Or it can establish a clearer, more durable relationship that supports trade, investment, resilience and sustained growth. No option is without cost or compromise, and the status quo is no exception.

The Summit may represent the last and best opportunity, in years, to approach this question strategically, with evidence rather than ideology and with business involved from the outset.

If this moment is missed, the UK risks allowing decisions elsewhere to shape its economic future. If it is seized, the country can begin building a relationship with Europe that is stable, practical and capable of supporting economic growth for generations.


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# 2. EXECUTIVE SUMMARY

This report sets out the British Chambers of Commerce's priorities for the 2026 UK-EU Leaders' Summit. It provides a business-led framework for assessing the UK's longer-term economic and trading relationship with the EU. It also sets out practical options to reduce trade costs, protect integrated supply chains and strengthen economic security to support long-term growth.

The Prime Minister's Speech at the 2026 Labour Party Conference means the next UK-EU Leaders' Summit has become a major inflection point. Business and the rest of society will soon be asked to consider various structured forms of economic, trade, defence, data, justice and security co-operation relationships. These are expected to be put forward by Government shortly after, the Leaders' Summit. They are likely to include options such as a customs union and rejoining the EU.

Step by step guidance for businesses around EU trade and awareness gaps of new compliance measures has been a persistent problem. The Leaders' Summit provides the best opportunity to address these challenges in a more business-friendly manner, to achieve the UK's stated goal of sustained economic growth. The Chamber Network seeks to engage in this shaping of the UK's economic and trading future from a position of cool, evidence-based analysis based on key tests applied to the future options - which can deliver on improving trade overall including with non-EU trading partners, raise growth and investment, build financial stability, yield greater economic security, represent value for money for the taxpayer, and provide the UK with sufficient control and influence over its long-term destiny.

This report sets out the main options - from a reduced form of co-operation under the existing Trade and Co-operation Agreement (TCA minus) all the way to full EU membership. It also considers the various forms of customs or market access, underpinned by regulatory alignment, that sit between those two poles. It makes no judgement on a preferred option, but begins the process of ensuring there is a rigorous analysis on the best way forward for growth, jobs, trade, defence and security.

The summit is also crucial for successfully concluding existing negotiations, that have been underway for some time, on food checks, Emissions Trading Scheme linkage, and a youth experience scheme. A further deal on UK access to the EU Single Market in electricity, which began to be negotiated this spring, should also be a focus - alongside enhanced defence co-operation and procurement opportunities, and tackling illegal migration, while making lawful commercial travel activities less burdensome - to reduce costs and strengthen energy security.

But both sides also need to recognise that the economic relationship is changing faster than the current TCA can easily accomodate. Made in Europe did not exist as a concept back in 2020. But now it dominates concerns on the competitiveness of key UK and EU industries. These include electric vehicles, climate technologies, small modular nuclear reactors, chemicals, hydrogen, nuclear fuels, defence hardware and equipment, cloud and AI capacity, and pharmaceuticals. The EU is building a trade wall focused on levelling the playing field with China. However, the effects could create significant collateral damage for near neighbours - like the UK and Switzerland, as well as other trusted trading partners in the Americas, Africa, and Asia-Pacific. It is within this context that the outcomes of the Summit will be judged.

The central choice is not between the status quo and turning back the clock. It is between continuing with repeated, issue-by-issue fixes or building a more stable relationship suited to the economic, trade and security pressures likely to exist in the 2030s.

This report does not recommend a final form for the longer-term UK-EU economic and trading relationship. That will rightly take time to develop the Chamber Network at home and overseas and assess, across multiple stakeholders within the many moving parts of the economy. Instead, it sets out the options that the government must examine in the short, medium and long-term. And it uses a business perspective to highlight the key trade-offs that need to be considered in developing the future relationship.

The options are many, including accelerated regulatory divergence and competition, a customs union, variants of comprehensive access to the EU Single Market, or EU membership.

**Businesses need to be able to judge each model against clear metrics within the business test:**

Does it reduce trade costs and expand opportunities, protect supply chains, improve services access, preserve data flows, attract investment, bolster competitiveness and offer value for money? Does it ensure Northern Ireland's continued access to both the UK Internal Market and EU market is unaffected?

Other key factors in applying this business test are whether a rule reduces duplication and costs at, and away from the border, whether it preserves or extends market access, and whether it gives firms greater certainty.

They will also want to know if the options give the UK a meaningful voice to shape the rules that will affect them in the decades to come.

These are the key issues that the government must assess and provide answers in its economic and wider analysis of Brexit and future options and to when making its decision.

The BCC will consider its own position on which model best meets those tests with its members, through a process of extensive engagement and consultation over the coming months. But this fact and evidence-based report provides an analysis and assessment of the situation as it is now, and why any future decision must consider the business perspective, if greater long-term economic growth is the ultimate goal.



## Table 1: Ten priorities for the Leaders' Summit

| # | Priority | Desired outcome |
|---|---|---|
| 1 | SPS (Sanitary and Phytosanitary) Agreement | Remove vast majority of agri-food certificates, checks and "Not for EU" labelling burdens in GB and Northern Ireland. |
| 2 | ETS (Emissions Trading Scheme) linkage deal | UK and EU link carbon markets and exempt bilateral trade from CBAM (Carbon Boder Adjustment Mechanism) requirements in both directions, while protecting competitiveness of key economic sectors in regulatory choices made. |
| 3 | Energy (Electricity Market integration) | Develop greater resilience, efficiency and security in electricity trading across the North and Irish Seas and English Channel. Strengthen North Sea investment. Lay the foundations for an agreement soon after the Summit. |
| 4 | Youth Experience Deal | Agree a capped, reciprocal route for work, study and training. |
| 5 | Made in Europe declaration | Recognise in political commitments the UK as a trusted partner and count UK industrial content in pan-European supply chains. |
| 6 | Economic security agreement | Negotiate a binding agreement on supply chains and strategic investment screening, subsidies and trade remedies tools. |
| 7 | Defence Co-operation and Procurement | Deepen UK and EU defence and security co-operation and joint procurement opportunities, including future iterations of Security Action for Europe (SAFE) and the Ukraine loan. |
| 8 | Steel and Electric Vehicles | Protect tariff-free flows and avoid new rules-of-origin cliff edges. |
| 9 | Services | Improve business mobility, mutual qualifications' recognition and data certainty. |
| 10 | Long-term options | Publish a comparative assessment of the structured long-term options for closer UK-EU economic and trade relationships and fully consult business in this process. |



# 3. LOOKING BACK: THE IMPACT OF BREXIT ON THE UK ECONOMY AND BUSINESS

**Brexit has reduced UK economic growth**

There were many reasons for Brexit and the purpose of this report is not to enter into the politics, which are still deeply felt and remain relevant. From a business perspective, the EU remains the UK's largest and nearest trading relationship. But both before and after Brexit, there have been issues which have stymied business growth. These include the gold-plating of EU legislation in a non-business friendly way, a lack of guidance and effective consultation with the business community, and a lack of focus on trade and exports.

The Leaders' Summit provides the best opportunity to address and shape these challenges. Trade with the EU accounts for 41.3% of UK exports and 49% of imports[ii]. Geography, integrated production networks and the scale of the Single Market mean that trade agreements elsewhere, while valuable and important to pursue, do not replace the importance of trade with Europe. This central economic finding is now well established across multiple analyses[iii]. The Office for Budget Responsibility (OBR), for example, estimates that the post-Brexit trading relationship has reduced UK trade intensity by around 15% and productivity by around 4% over the long term compared with remaining in the EU[iv]. Separate research has found a marked fall in the range of products traded and lower goods and services exports than expected on the pre-2016 path[v]. Credible estimates of the economic effects of Brexit since 2021 are of the order of a lower long-run GDP of between 6-8%[vi].

**Trade deals with other countries have not been able to compensate for that loss**

The BCC's estimate of the trade deals made since Brexit with other trading partners (excluding the agreement in principle with Switzerland) is 0.406% in long-run gains to GDP by 2040. Using the OBR's conservative estimate of a loss of GDP due to Brexit of 4%, the new trade deals make up just 10% of the economic losses suffered by the UK economy through reduced trade with the EU.

**For firms the reality on the ground means more red tape when trading with our biggest neighbour**

For businesses, these detrimental effects arrive through practical costs: customs paperwork, origin certificates, import VAT, export health certificates, duplicate product or chemicals rules and restrictions on moving staff. Larger firms have often been able to absorb or reorganise around these costs. But smaller businesses have been more likely to reduce product ranges, incur costs through use of intermediaries, had to set up EU operations or stop exporting altogether.

Brexit is not one single cost. It is the cumulative effect of many small and larger economic frictions, repeated across thousands of consignments, contracts, lost business trips and investment decisions. Despite 90% of goods moving between both markets tariff-free, it is the effect of the non-tariff barriers erected since 2021 which has been the most damaging. Goods exports have reduced by around 15% in volumes since Brexit. Services exports have dropped by 7% compared to pre-2021, according to the Centre for European Reform economic modelling[vii].

The distribution of these impacts is uneven across the UK economy. Goods firms face the most visible border and standards costs. Customs declarations alone are estimated to cost exporting firms an extra £1.8bn since 2022. Services firms face regulatory barriers, restrictions on temporary mobility and limited recognition of professional qualifications[viii]. Northern Ireland has privileged access to both the UK Internal and EU Single markets (for goods), but businesses still have to manage a complex and changing set of rules under the Windsor Framework, both in terms of trade with the EU and Great Britain.

## What BCC business data tells us

**Over the last two years regulatory divergence has started to bite**

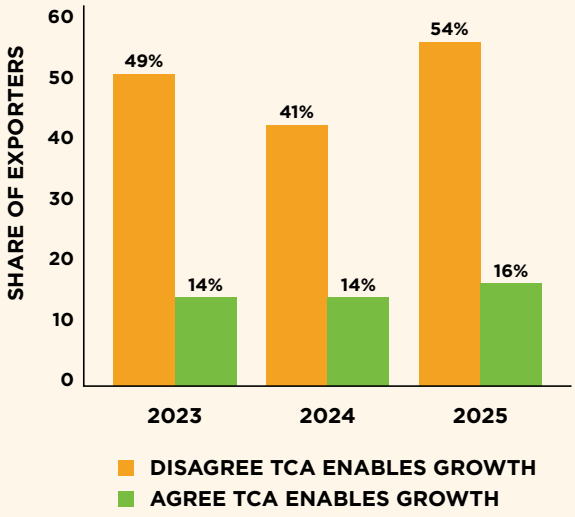
BCC survey evidence shows that dissatisfaction with the TCA has been on the rise over the past two years. In 2025, 54% of exporting firms said the agreement was not enabling them to grow or increase sales, compared with 41% in 2024. Only 16% said it supported them to grow. This suggests that the challenge is not simply one of firms becoming familiar with a new system. New regulatory divergence and policy changes have added to costs since 2021, and explain the surge of discontent by exporting members between 2024 and 2025 on the effectiveness of the TCA.[ix]

**And it is impacting export volumes**

The wider evidence is consistent with this message: goods exports to the EU are estimated to be around 14.5% to 16% lower[x], while analysis published in 2026 estimated services export volumes were 7% below the level implied by the pre-2021 trend[xi].

While measuring different forms of exports, they point in the same direction: the present relationship carries a material economic cost, and the potential to significantly improve it is limited by the approaches of the UK and EU institutions on access to the four Single Market freedoms.

**EXPORTER VIEWS OF THE UK-EU TCA**






**Firms want trade with the largest market on their doorstep to be easier**

Business views on alignment have tended towards the pragmatic rather than ideological. In a BCC survey in April 2026, 56% of exporters supported alignment by default where it would help trade and growth, while 19% said it would hinder them. Asking about the practical impact of alignment, 51% of firms said they would have no problems in aligning to any EU rules. The business test is therefore whether a rule reduces duplication and costs at, and away from, the border, preserves or extends market access and gives firms certainty.

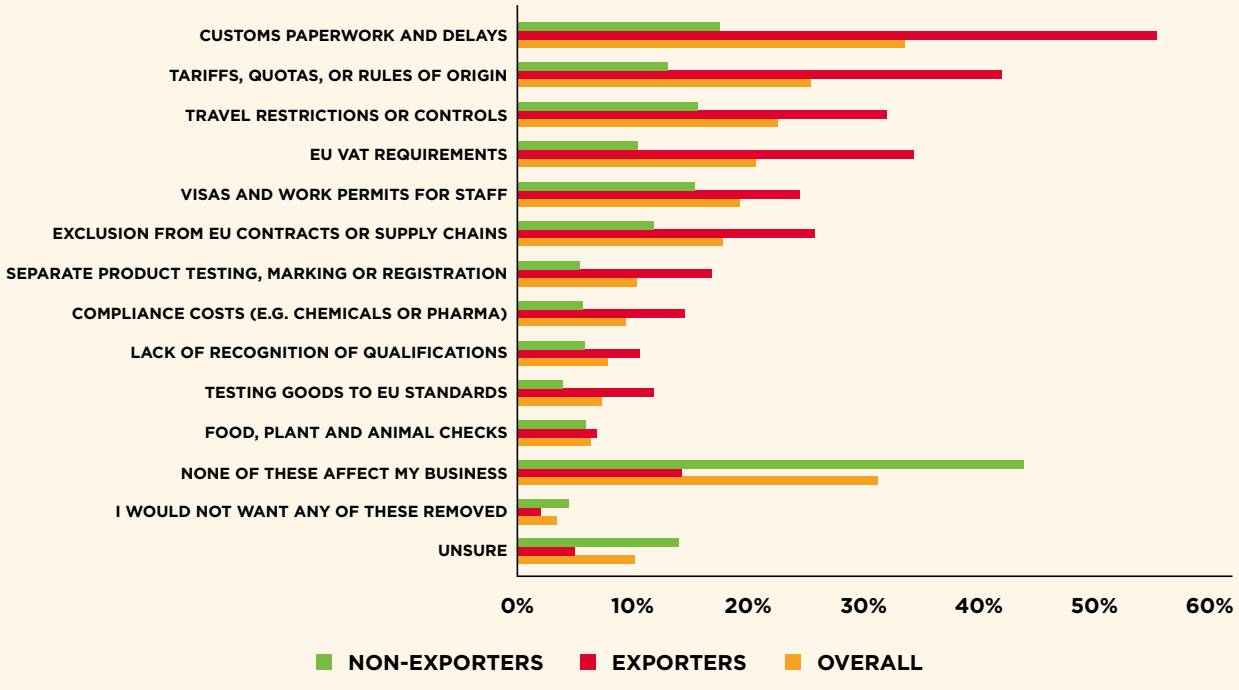
**What Business wants from the reset and the future relationship**

A major BCC survey of more than 1,000 firms conducted in October 2026 following the Prime Minister's speech in Liverpool shows a clear, consistent message. The structural trade barriers created in 2021 remain the biggest impediments to growing trade in goods and services on both sides.

Nearly six years on, the chilling impact upon growth of customs, regulatory, VAT and origin barriers on trade in goods, as well as qualifications, port queuing and mobility barriers to trade in services is clear. The survey had clear findings:

- 34% of businesses say customs paperwork and delays need to be removed for their business to grow. This rises to 58% of manufacturers and 56% of exporters.
- 42% of exporters say tariffs, quotas or rules of origin need to be removed, compared with just 13% of non-exporters.
- 35% of exporters identify EU VAT requirements as a barrier to growth, more than three times the 10% of non-exporters.
- Manufacturers stand out sharply: 58% cite customs paperwork and delays, 42% tariffs/rules of origin, and 30% EU VAT requirements.
- Only 14% of exporters say none of the listed UK-EU barriers affect their business, compared with 44% of non-exporters.

**WHICH OF THE FOLLOWING UK-EU TRADE BARRIERS, IF ANY, NEED TO BE REMOVED IN ORDER FOR YOUR BUSINESS TO GROW?** (n=1,021)



# 4. WHERE WE ARE NOW: MAJOR POLICY CHANGES SINCE BREXIT

**The UK-EU relationship has evolved since the TCA entered into force**

The UK-EU relationship has not stood still since the TCA entered into force in January 2021. Governments have adjusted the original settlement where practical experience showed that the costs were too high. This was the case with the UK's unilateral alignment to product standards rules; to preserve the usage of CE marking on goods circulating in the UK Internal Market and prevent duplicate conformity assessment costs. In other cases, the political settlement was incomplete. This was behind the decision to make the cooperation and trade in energy chapter of the TCA permanent in the Common Understanding process in 2025. In return, this involved further UK concessions on fisheries rights allocations.

**The changes made have sought to reduce barriers, but have had to do so in an ad-hoc way**

These changes share a common theme. Where markets and supply chains are highly integrated, unmanaged divergence creates costs and barriers to trade. Pragmatic co-operation, alignment or mutual recognition can reduce these, but the existing approach is often reactive and issue-specific.

Unilateral alignment does not eliminate trade barriers, it merely mitigates some costs arising from them, with checks often required away from the border on the EU side for GB goods exports. Dynamic alignment under the deals likely to be agreed at the Leaders' Summit is limited to specific sectors; like food and plant standards and checks, Emissions Trading Schemes, and energy. The EU is unwilling to extend that principle to all goods sectors on a case by case basis. Both types of alignment make trade easier but come at the cost of the UK being a rule taker with limited decision-shaping capacity.

**The economic dividend that can be achieved within current red lines is now limited**

It is clear that arrangements encompassing most of the four Single Market freedoms – goods, people, services and capital would be required for a more systematic application across substantially more exports and economic sectors of the UK. However, this is not possible given the current boundaries of the Common Understanding negotiations and is why the UK Prime Minister and others have called for a reassessment of the red lines.

**Efforts to protect the environment and homegrown industry are reducing UK business competitiveness**

The EU has also introduced policies with knock-on effects on UK exporters alongside other countries outside the EU. The EU's Carbon Border Adjustment Mechanism (CBAM), places a carbon-related cost on selected imports where the carbon price in the country of production is lower than the EU price. It initially covers iron and steel, aluminium, cement, fertiliser, hydrogen and electricity, but an extension to a broad range of derivative manufactured products of steel and aluminium is due to start in 2028. Under the reporting obligations in CBAM, UK exporters must supply emissions information to EU customers, even though the formal obligation falls on the EU importer. From February 2027, the importer must purchase CBAM certificates corresponding to any difference in the carbon price between the EU and that of the exporting market. The implications of this are profound for key UK sectors like steel, where loss of competitiveness from the additional export costs producers would face, compared to EU steel, is now very real. This is on top of firms having to deal with a reduction in the tariff-free steel import quotas from the EU, since July 2026, highlighting the cumulative impact of divergent approaches.

The UK is also developing its own CBAM due to start in 2027. If the two emissions trading schemes remain separate, businesses trading across the Channel risk parallel reporting requirements and potential charges under the respective schemes. Linking the schemes is therefore the most direct way to remove unnecessary friction while preserving climate ambition and raising investment potential across the two linked carbon markets. Furthermore, policymakers in both Brussels and London must ensure they do not harm the competitiveness of key economic sectors by over-extending the scope of their CBAMs or their Emissions Trading Schemes, particularly if dynamic alignment is to apply in this key policy area.

## Table 2: Key UK-EU regulatory changes and effects upon business since 2021.

| Change | What changed | Business effect |
|---|---|---|
| UKCA (UK Conformity Assessed) and CE (Conformité Européenne) marking | The UK planned to use a separate Great Britain product mark (UKCA) for goods circulating in Great Britain on the UK Internal Market and phase out circulation of CE-marked products in GB. It later accepted CE-marked goods indefinitely in most sectors alongside UKCA marked goods and passed the Product Regulation and Metrology Act 2025, allowing continued alignment where needed, and updating of the rulebook as rules evolve at EU level. | Avoided widespread duplicate testing and re-labelling. However, no full mutual recognition agreement exists for testing (conformity assessment). This means goods can only be tested to EU standards in EU labs and not in UK (GB) labs, thereby raising business costs. |
| Windsor Framework | Reworked the Northern Ireland Protocol to reduce checks on goods moving from Great Britain into Northern Ireland. It also preserved an open Irish land border and Northern Ireland's access to the EU Single Market in goods and the UK Internal Market, while introducing democratic consent mechanisms at Stormont each 4 years on the Windsor Framework, and processes for a brake mechanism which could be actioned on individual measures. | Reduced some frictions, but firms still face labelling and regulatory-change challenges, eg. on the EU Deforestation Regulation affecting trade in coffee, cocoa, wood, rubber, and other products, and Digital Product Passport legislation, requiring goods circulating in the EU Single Market and NI to have digitally accessible specifications and guides. |
| Horizon Europe and Erasmus+ | The UK associated to Horizon Europe in 2023 and agreed to return to Erasmus+ from January 2027. | Restored routes or research and joint funding of projects in the UK and EU, skills, training, skills, training, cultural, sporting and educational exchanges cultural, sporting, and educational exchanges. |
| Security and Defence Partnership | Created formal UK-EU dialogue and co-operation after more than four years without a structured mechanism. | Provides a platform, but procurement access remains incomplete. This disadvantages UK firms while policy co-ordination lacks certainty and an institutional framework. |

**UK exporters' supply-chain compliance burden has increased**

Brexit promised less regulation, but the reality is that exporters continue to need to comply with EU regulations. The only difference is now that they may have to comply with both UK and EU regulations, and that the UK's ability to influence EU regulation – at least formally – has reduced.

In recent years a major focus has been on supply chains. The EU Deforestation Regulation, for example, requires companies to show that products such as cattle, cocoa, coffee, palm oil, rubber, soy and wood are not linked to recent deforestation. This involves tracing raw materials back to the land on which they were produced since the end of 2020. The rules affect British exporters to the EU and, through the Windsor Framework, some movements into Northern Ireland. The new system will apply to larger firms from the end of 2026, and to small and medium-sized businesses from the middle of 2027.

The General Product Safety Regulation and Packaging and Packaging Waste Regulation also increase compliance obligations. For many goods, exporters need an EU-based responsible person and stronger technical documentation. Packaging rules add conformity and extended producer responsibility requirements, including company name and details of packaging type

Many EU rules are not unreasonable. But exporting British firms face the cost of complying without having a strong route to shape how they are designed or implemented. The scope of these rules has expanded during the past six years with the aim of levelling the playing field for European industry. The focus has been: tackling over-production, decarbonisation across supply chains, fluctuations in tariff policies, and growing global levels of industrial subsidies.



# 5. LOOKING AHEAD: FORTHCOMING EU POLICY CHANGES

**The focus on creating a level playing field for European industry is set to continue**

The next phase of EU policy is driven by the ambition to secure a more level-playing field for European industry in the global economy, competitiveness, climate goals, reducing strategic dependencies on individual state actors, and economic security. It seeks to reduce strategic dependence, expand European industrial capacity and give public support to technologies and supply chains considered critical. This is done through the development of a European preference applicable to industrial policy, data, cloud services, subsidies, tax credits and procurement.

This means compliance costs, the risk of exclusion and the challenge of responding on a rule-by-rule basis will remain issues, at least in the short-term. This approach can also create opportunities for UK firms if they are treated as trusted partners, but the risks remain if they are treated like non-preferential third-country suppliers.

The UK government has improved early-warning and consultation systems with business for major new EU measures, helpful for maximising UK influence as a third country in influencing the rules. The scale of the new commitments, and the ambition of the EU around economic security and the level-playing field, however, mean that firms may be left behind in preparedness. This could act as a further factor in reducing cross-border trade and ultimately harm UK jobs. Firms often have little awareness of the rules until the last minute and they are often unprepared for new compliance responsibilities and actions. This issue has increased in importance over the past four years.

**Economic protectionism and security are becoming an economic strategy**

The direction of travel matters as much as the individual rules. The EU is moving towards a model in which market access, public procurement, subsidies controls, control of data and supply-chain resilience are increasingly linked. The United States and China are also using tariffs, subsidies, export controls and domestic-content rules more actively. The result is a less open and more contested global economy. A total of 72% of global goods trade is now conducted under World Trade Organisation rules, down from 80% just two years ago[xiii]. If Europe is different to ten years ago, then so is the rest of the world.

The UK cannot respond to these pressures through its domestic resources alone. On average, around 16% of the value embedded in UK exports comes from foreign intermediate inputs, and the share in manufacturing is 28%[xiv]. Many of the UK government's key Industrial Strategy sectors depend on secure supplies of energy, semiconductors, steel, pharmaceuticals, components and critical minerals from overseas. BCC analysis estimates that UK lithium requirements in growth sectors could rise by more than 13,000% by 2035, while copper requirements could rise by more than 1,900%[xv].

**Which makes working with trusted partners even more important, alongside an economic security toolbox**

The right response is diversification with trusted partners, not isolation. The UK should build stronger supply-chain agreements with the EU and other partners, improve domestic capacity where commercially realistic and maintain open routes for services, data and investment. A closer UK-EU economic security relationship is therefore not separate from trade policy - an integral part of the growth strategy.

In this respect the BCC supports the discussions underway between the EU and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) states. These should yield tangible outcomes for closer trade and investment by the end of 2026 on supply chains and rules of origin, services and data co-operation.

New UK powers on economic coercion are supported by the BCC as necessary tools in the modern economic security policy toolbox. These should include investment screening, subsidy control, and restrictions on certain flows of data, services and investment in circumstances. But there must be clear tests for their use, business consultation and safeguards for UK businesses.

Economic security should protect the UK's ability to trade, invest and innovate. It should not become a catch-all justification for higher costs, closed markets or poorly targeted protection.

## Table 3: Forthcoming EU legislation and potential effects upon UK businesses.

| Policy | Summary description | Why it matters |
|---|---|---|
| Industrial Accelerator Act (IAA) | European preferences in subsidies, loans, tax support, procurement and industrial content. EU-only assembly rules for automotive access to certain subsidies. | UK inputs could be discounted or excluded unless partner treatment is secured across industrial sectors, with particular challenges for automotives, energy, and small modular reactor construction. |
| Cloud and AI Development Act (CADA) | A common approach to cloud, AI capacity, sovereignty and public procurement. | UK providers, especially those linked to defence or critical sectors, may face additional data storage and control tests and exclusion from procurement opportunities. |
| Public Procurement Act | Creates additional criteria for access to public procurement opportunities within the EU, but with exemptions for covered goods and services emanating from trusted trading partners. | The draft Commission text is better than some UK companies had feared, but it still embeds exemptions for defence and utilities sectoral procurement from third countries like the UK, which have existed since Brexit. |
| Product Safety Act | Reform of product rules, conformity processes and market surveillance. | The UK will need to choose repeated rule-by-rule responses – either unilateral alignment or divergence in terms of GB, while applying many of the rules in Northern Ireland under the Windsor Framework. |
| Customs reform (revised Union Customs Code) | A European Customs Authority, EU Customs Data Hub and new importer and e-commerce responsibilities for platforms from 2028. | Potentially more consistent EU enforcement of customs, but new systems and responsibilities for GB traders. |
| Corporate sustainability rules | Supply-chain due diligence and reporting for firms with substantial EU commercial activity or footprint. | More information requests will travel down supply chains to UK suppliers, and potentially additional factors may apply to decisions affecting EU commercial activity compared with those purely affecting UK operations. |
| Forced Labour Regulation and products ban | Exclusion from the Single Market of products made with forced labour from the end of 2026. | UK firms selling goods into the EU will need evidence about upstream production, and proof of exclusion of forced labour practices from supply chains. |



# 6. BUILDING A ROADMAP FOR THE FUTURE OF UK-EU RELATIONS

## 6a: Short-term improvements to the TCA - priorities for the summit

**Three areas exist where immediate improvements to the TCA are possible at the Leaders' Summit**

Three agreements can make a measurable difference within the current political framework. They will not remove every post-Brexit barrier, but they can lower costs, support growth and demonstrate that the Reset process is delivering benefits in terms of improved market access, reduced red tape, and new investment opportunities.

1. **A deep SPS agreement**
   Sanitary and phytosanitary rules cover checks on food, animals and plant product movements across international trading borders. Since 2021, many British agri-food exports have required veterinary or plant-health certificates (EHCs), with checks at the border. A deep agreement based on common standards, rules and enforcement would remove most certificates and checks, reduce waste and reopen routes that are currently uneconomic for smaller exporters. It would also simplify movements from Great Britain to Northern Ireland and remove the need for "Not for EU" labelling for vast majority of products entering Northern Ireland. Estimated uplift to economic growth from SPS deal underpinned by dynamic alignment: 0.14% on long-run GDP[xvi].

2. **ETS linkage and CBAM relief**
   The UK and EU should link their emissions trading schemes and provide reciprocal exemption from carbon border charges. This would provide for a conjoined carbon market thereby also increasing investor certainty. The agreement must also deal with the period between political agreement and full implementation so that firms do not face avoidable interim liabilities in either direction. Estimated uplift to economic growth from ETS linkage deal underpinned by dynamic alignment: 0.10% on long-run GDP[xvii].

3. **Youth experience**
   A balanced scheme should allow around 100,000 young people, up to the age of 35, to work, study or train in the other market for up to three years, subject to agreed controls and enforcement. It should support school visits, apprenticeships, seasonal work and early-career services mobility, integrating with the UK's recent re-accession to Erasmus+ and Horizon Europe. BCC evidence to Parliament estimated a potential GDP gain of 0.16% to 0.35%, depending on the depth of the arrangements reached[xviii].

## Table 4: Delivery principles for the short-term package

| Principle | What good delivery looks like |
|---|---|
| Positive business impact | Each deal should publish an implementation plan showing what forms, charges and checks will disappear and when, and what new opportunities open up for exporting and importing businesses. |
| Clear and speedy transition arrangements | Firms need sufficient notice, simple guidance and as little avoidable gaps as possible between signature and entry into force on the ground. |
| Clarity of impact on Northern Ireland | Each agreement should state clearly how it interacts with the Windsor Framework and the UK Internal Market. |
| Respect for devolution | Devolved administrations should be involved in implementation arrangements because food, environment, skills and energy touch upon devolved responsibilities. Protocols should be put in place in terms of which institutions will legislate on which implementing measures from the deals on dynamic alignment. |
| Strong business voice | Formal mechanisms should allow companies and Chambers of Commerce to flag problems during and after implementation. |
| Economic Growth and Costs Review | Government should report after 12 and 24 months on the impacts upon economic growth, costs removed, trade restored and remaining barriers to trade. |

**Beyond this the summit must make progress on a wider set of eight issues**

The Summit should also maintain momentum on a second group of eight practical issues: Enhanced defence and security co-operation and procurement opportunities; mutual recognition of professional qualifications; easier short-term business travel; a mutual recognition of conformity assessment agreement; VAT co-operation; UK re-entry to the Pan-Euro-Mediterranean Convention; longer-term arrangements for electric-vehicle rules of origin; and additional tariff-free access for steel.[xix]

**But short-term improvements can only go so far**

These measures are valuable, but they have a limit. Even a successful package means the UK is affected by frictions inevitably arising from being outside the EU customs territory, the Single Market and the common VAT area. Northern Ireland has special arrangements on customs, and has unimpeded access to both the EU Single Market for goods and the UK Internal Market. Customs declarations, origin requirements and many services barriers will remain for most GB to EU goods trade, and in services – UK-EU trade.

The short-term package is, therefore, a set of vital improvements, but it is not the final answer to the long-term economic relationship.

Furthermore, attempts made to secure sectoral alignment in parts of the economy like automotives and pharmaceuticals were rejected by the EU earlier this year. Options like further sectoral alignment in goods are also likely to fall foul of the EU's red lines on the indivisibility of the Single Market freedoms. This impasse explains the Prime Minister's call for a reassessment of the structured options for the longer-term trade and economic relationship. This will be set out following this month's Leaders' Summit.

Short-term delivery goals and beginning a debate on the future strategic choices are complementary. A successful Summit should set a roadmap to do both.

**A deal on electricity market access must also be completed**

Negotiations on reintegrating the UK into the EU's electricity market started in April this year and should be concluded after the Leaders Summit.



## 6b: mid-term focus post leaders summit in 2027

### The implications of Made in Europe

**A focus on Made in Europe risks UK jobs and firms being treated less favourably**

Made in Europe (MiE) is the emerging label for a group of EU policies designed to strengthen European manufacturing, technology and strategic capacity. The aim is understandable: reduce dangerous dependencies, respond to industrial subsidies elsewhere and ensure public money supports resilient supply chains. The risk is that a policy aimed mainly at China, and global overcapacity, unintentionally damages trusted partners, such as the UK.

UK and EU supply chains remain deeply integrated. UK components, materials, services and expertise are embedded in European automotive, aerospace, chemicals, pharmaceuticals, energy, defence and advanced-manufacturing production cycles. Treating all or some British inputs as non-qualifying and applying rules which effectively disincentivise or exclude their usage in European supply chains, could make EU finished products more expensive. It would also weaken established GB suppliers and deter investment on both sides of the Channel. Take for example, Supacat military vehicles used in Czechia. The chassis are made in the UK and then exported for addition of weapons, communications and missions systems by the Czech military[xx].

The risk arises when access to procurement, subsidies, tax credits and support or industrial targets depends on where a product was made, assembled or controlled. A British component may meet the same standard and have been part of a European supply chain for decades, but it could receive less favourable treatment because it originates outside the EU. This is the threat carried in multiple pieces of legislation currently before EU institutions.

The BCC supports stronger European industrial capacity. It should be built as 'Made with Europe', working with trusted partners such as the UK, rather than by weakening the supply chains Europe is trying to secure.

**The UK is not alone in its concern, even a close relationship with the EU Single Market would not exempt it from MiE**

Automotives are an immediate example. EU assembly or local-content rules could affect whether vehicles or components qualify for support. Cloud, AI and defence products may face sovereignty tests focused on data handling, ownership and control. Proposed public procurement legislation exempts "covered" goods and services from third countries, but this definition could well continue to offer less protection for UK defence and utilities companies bidding for public contracts in EU member states. It should be noted that even a close regulatory relationship with the EU Single Market does not avoid a country facing the effects of the various legislative proposals on Made in Europe. For example, Switzerland and Norway are also concerned about the effects upon them as albeit close, third countries.

**A focus on a trusted-partner solution is the right approach**

A product-by-product campaign for exemptions would be slow, uncertain and vulnerable to further legislative change. The UK should instead seek a cross-cutting framework through an economic security agreement with the EU. This starts from the reality of integrated supply chains and comparable standards - within the boundaries of what is possible as a third country.

**The BCC and Chambers across Europe have made three core asks:**

- Recognise the United Kingdom as a trusted partner within the Made in Europe framework, reflecting integrated supply chains, comparable standards and the commitments already made in the TCA and any decisions on co-ordination of trade remedies policy measures.
- Allow UK-origin industrial content to count towards relevant European value-chain, industrial-policy and procurement requirements.
- Provide certainty through a clear and predictable trusted-partner framework, with cross-legislative definitions, rather than fragmented product-by-product or sector-by-sector decisions.

**This should be part of a wider economic security agreement**

These asks should be anchored in a binding economic security agreement and political declaration. That agreement should map shared dependencies and establish co-operation on critical goods and inputs, investment screening, subsidy control, procurement, trade remedies, export controls, anti-coercion tools and critical infrastructure. It should also create a mechanism for early consultation where either side proposes industrial rules likely to affect the other's supply chains.

The agreement should not require the UK and EU to take identical decisions in every case. It should create a presumption of consultation, transparency and proportionate treatment between trusted partners. Where alignment or reciprocal commitments are needed for access, those conditions should be explicit and subject to business scrutiny.

The Summit should mandate negotiations for a UK-EU economic security agreement. It should set a timetable for these and provide an interim political declaration that established supply chains will not be unintentionally excluded while talks continue.

## 6c: Longer-term – the future of the UK-EU relationship

**Going forward, businesses have told us they want closer alignment**

The short-term package can improve the TCA, but it cannot reproduce the benefits of the customs union or Single Market in terms of frictionless trade or ease of movement for businesses. A plurality of businesses told us in a survey in March 2026 that they favoured an approach of closer EU alignment – 44%, with the majority of exporting firms holding that view (56%)[xxi]. However, the approach attempted by Sir Keir Starmer of greater sectoral alignment or seeking alignment by default in large swathes of the goods economy, did not meet with EU approval. The EU position once again focused on the indivisibility of the four Single Market freedoms and the sectoral alignment strategy ran out of road.

**The strategic question ahead is what the relationship should look like**

Once the immediate negotiations for the Leaders' Summit are complete, the UK faces a strategic decision. Its first option is to continue with a largely transactional relationship with limited scope for any further trade barrier reduction and every possibility of increased divergence over time, particularly on industrial policy. Its second choice is to negotiate a more structured model - that trades varying amounts of autonomy for lower trade barriers and greater long-term certainty. The final alternative is to consider rejoining the EU.

**Whatever the model – economic security and defence cooperation will be crucial**

Economic security and defence should be key factors in shaping those choices. The UK and EU face many of the same threats: conflict in Europe, pressure on critical infrastructure, coercive trade practices, growing threats to European security from Russia and other hostile actors, supply chain interdependencies, and rapid technological change. The economic relationship must therefore be judged not only by tariffs, but by resilience, procurement access, data, innovation and the ability to act together.

Defence co-operation should deepen under any option. The UK should seek greater access for British firms to European procurement, improve links between UK SMEs and larger European contractors, and explore future participation in European programmes where the terms represent value. This should include any future iterations of SAFE (Security Action for Europe). Co-operation should cover military mobility, cyber security, space, critical infrastructure, emerging technology and secure supply chains. The UK could look to associate to the European Defence Agency, as a short-term measure, while considering the impacts of the various longer-term relationship options on strategic defence and security co-operation needs and vehicles. This could either be within the EU membership option or the other forms of co-operation.

Below we have set out the main scenarios for further government analysis and business consultation. The economic estimates come from different studies and assumptions, so they should be treated as indicative ranges, not directly comparable forecasts.

Government has listened to the BCC's call for an assessment of the options. It should now publish a common analytical framework. Every scenario should be measured against the same baseline and key tests. This should include sectoral and regional analyses, impact upon the Windsor Framework, fiscal assumptions, ability to influence decision making, financial stability, levels of inbound and outbound investment, and implementation costs.



## The options

There are multiple options that can be put on the table and considered as viable for the future UK-EU relationship. Each of these needs to be assessed from different angles, including the business and growth perspective. It will take time to alight on the final, fit for purpose model. Here, we review those that should be put on the table and provide an initial view on the opportunities and challenges each presents.

**Option A: TCA-plus**

This would retain the present structure linkage while, ideally, adding agreements on SPS, ETS, energy, mobility, economic security, qualifications, mutual recognition of conformity assessment and VAT co-operation. It could also potentially include the removal of safety and security declarations on goods movements between the EU and GB. It preserves the greatest formal autonomy and the UK's independent trade policy. However, the UK remains a third country, and it does not offer any realistic solution to the challenges of EU industrial policy from Made in Europe. Customs and origin paperwork continue, services access remains limited and the UK would depend upon repeated and exhaustive negotiations for sector-specific fixes. Divergence between both markets would continue and the trade barriers formed in 2021 would remain structurally in place, and perhaps supplemented by additional obstacles. In many of the sectoral deals or accession to Union Programmes cohesion payments to areas or member states with low socio-economic performance is often a condition set down for third countries joining individual programmes as associate members.

**Option B: bespoke customs union**

Membership of the EU customs union is only possible as EU member states and their associated territories. Other states have sought seek a bespoke form of customs union with the EU, echoing the relationship which Türkiye has. The Centre for European Reform's June 2026 analysis finds 25% of the 16% reduction in the UK's goods exports to the EU were attributable to being outside the customs union, with the other 75% of losses stemming from being outside the EU Single Market. In overall export losses since 2021, the study finds only one-sixth of the 12% losses in goods and services exports combined is attributable to leaving the EU customs union[xxii].

A customs union could mitigate current rules-of-origin requirements for goods within scope and reduce some trade costs, but it would not by itself remove requirements for customs declarations, origin certification, import VAT red tape nor regulatory checks. It would provide no benefits on lower trade barriers in relation to services trade with the EU as services exports are not subject to tariffs or rules of origin. Nor would it automatically provide additional access on labour mobility - either business or youth. The UK would apply the EU common external tariff to imports and lose substantial freedom over its own trade policy, while having little formal influence over EU tariff decisions or broader trade policy. This would necessitate restructuring or, in some cases, renegotiation of the UK's trade deals with other partners. Substantial levels of unilateral alignment may be required even to secure this option, which would not deliver reciprocal friction-free access to the EU Single Market. A customs union would also not offer an intrinsic solution to Made in Europe for the UK. The UK in a Changing Europe estimate that UK GDP would benefit from a maximum gain of around 0.5% over a long-run period between 10-15 years from a bespoke customs union[xxiii].

**Option C: a Swiss-style Single Market relationship**

A Swiss-style model would provide deep goods-market access with dynamic alignment in covered sectors. Services access would be more limited and selective. Customs declarations and origin certificates would remain - Switzerland is in its own customs territory and outside the EU customs union. VAT borders would also continue. Free movement of people would apply, although the updated Swiss arrangements (Bilaterals III) which took four years to negotiate, contain an emergency-brake mechanism. This temporarily halts free movement, if used, but with consequences for market access. These agreements are pending ratification by the Swiss confederation, if they are agreed in referendums. Switzerland retains its own trade policy and gains more scope to shape EU rules as a third country than the UK has under the TCA. Payments into EU cohesion programmes are a quid pro quo for the market access enjoyed by Switzerland. Nevertheless, the decision-shaping governance processes are far deeper under the latest agreements than previous iterations, and permit extensive consultation, from policy development until legislative enactment by the EU institutions. Switzerland associates with Euratom and Digital Europe under its arrangements. It is also in the Schengen zone – the EU's border free travel zone. However, Switzerland is not exempt from the scope of potential rules under Made in Europe legislation, so this option does not provide a solution, in itself, for the UK in terms of Made in Europe. The indicative GDP benefit for the UK in adopting the latest Swiss style model is cited at between 1% to 2% over a long-run period between 10-15 years by UK in a Changing Europe.

**Option D: EEA-style relationship**

Membership of the European Economic Area (EEA), which includes Norway, Iceland and Liechtenstein as well as EU states, would provide broad Single Market access for the UK in goods and services. The UK would dynamically align with a large body of EU law and accept free movement of persons and capital alongside goods and services. It would participate in decision-shaping under the EEA agreement but not vote on final EU laws. The UK could retain an independent trade policy because the EEA is not a customs union. Customs declarations, origin certification and VAT borders would remain. Made in Europe preferential treatment could be enhanced, but this is not a guaranteed solution. EEA states are not part of the Euro, but have agreed to be part of the Schengen zone. The indicative GDP gain from an EEA-style relationship, as quantified by UK in a Changing Europe, is between 2-3% in additional GDP over a long-run period between 10-15 years by UK in a Changing Europe. This option would mean financial services would enjoy free movement within the UK/EU markets, but also be subject to EU rules with limited levels of decision-shaping.



**Option E: Bespoke customs union plus Single Market**

Combining a customs arrangement with a Swiss- or EEA-style Single Market relationship would remove more goods friction than either model alone. It would also involve wider regulatory alignment, contributions to the EU budget and reduced trade-policy autonomy. The exact impact would depend on whether the UK joined the EU VAT area or negotiated separate VAT arrangements, and on the governance arrangements and influence offered. There does not currently exist an estimate on the impact of such a relationship on UK GDP, but it is likely to be above an EEA style relationship but below full EU membership.

**Option F: Full EU membership**

Membership would restore frictionless movement through full membership of the EU customs union and Single Market and give the UK a vote in EU law-making. It would require free movement of persons, capital, services and goods, full budget contributions and application of EU trade policy. Existing UK trade deals would gradually be superseded by EU agreements as the UK applied the EU Common External Tariff and trade defence measures but the exact timings for this process would require additional negotiation both with the EU and the UK's other trading partners.

Accession would require a public referendum or equivalent democratic mandate to begin negotiations and a lengthy accession process requiring unanimous approval by member states, and individual state constitutional processes (particularly in the case of France). Average accession periods have been around four years in duration. Made in Europe would cease to be an issue as goods would flow automatically into the conjoined market. The UK may not secure a Treaty exemption from ever closer union nor the Euro, but there are several EU member states who have not adopted the Euro as their currency and show no signs of wishing to do so. The estimated uplift in UK GDP from EU membership is quantified by UK in a Changing Europe as between 4-5% over a long-run period between 10-15 years, but costs and counterfactuals must be assessed on the same basis.

## Alternative options: EU-CPTPP route, Association Agreement, TCA minus

**Option G: EU-CPTPP enhanced co-operation**

The UK is a member of the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership). The EU and CPTPP members have initiated discussions on greater supply chains, cumulation in rules of origin, data, digital trade and services co-operation. These will supplement bilateral agreements the EU holds with several CPTPP states. These negotiations are unlikely to yield any inclusion of either bloc in the other bloc's market, and co-operation would not be so extensive that it will involve frictionless trade in either goods or services. The same also applies to flows of people. There is some potential for rule making and standard-setting in some contexts. However, this would be long-term and still preserve the separate jurisdictions, thereby not materially changing the UK's position relative to the EU Single Market. Therefore, this would not have the scale of economic benefits from any of the more structured relationship options.

**Option H: Association agreement on Canada model**

Canada is unlikely to join the EU Single Market or negotiate a bespoke customs union with the EU, but the current discussions underway on "associate membership" (not a concept known to the EU Treaties) could yield a deep economic security, industrial co-operation, data and defence agreement. Depending on how this develops, it could secure progress on economic security and defence. But this would not have the scale of economic benefits for the UK offered by the more structured relationship options already set out.

**Option I: TCA minus**

The UK could seek to move in an alternative direction, accepting the product of extensive divergence and making it a virtue, by engaging in regulatory competition with the EU and other key trading partners to achieve comparative advantage in international trade. The long-term effects would depend upon the degree of advantage generated and the interim costs in reaching that goal. However, the impacts are likely to be negative on UK GDP in the short-to-medium term. Frontier Economics estimated in June 2026, a TCA minus scenario could lead to long-run reductions in GDP of between 0.8% to 1.1%.[xxiv]



## Table 5: Comparing the main structures of closer cooperation

| Model | VAT | Steel | Payments into EU Budget | Regulatory Alignment |
|---|---|---|---|---|
| **TCA-plus** | Outside EU Common VAT area. | Separate quotas/ safeguards continue to apply – meaning duties on trade in steel above quota. | Yes, including regional cohesion schemes for those areas of co-operation, eg. SPS. | Selective alignment in limited economic sectors |
| **Customs union** | Outside EU Common VAT area unless separate deal reached. | EU trade remedies and quotas would apply to imports into the UK. | No additional areas of contribution required, except costs relating to any role involving EU Customs Agency | Could involve alignment on laws on production and manufacture of goods. |
| **Single Market agreement (Swiss option)** | Outside EU Common VAT area | Separate quotas/ safeguards continue to apply– meaning duties on trade in steel above quota | Yes, including regional cohesion schemes for those areas of enhanced co-operation. | Dynamic in covered sectors, primarily in goods and more limited in services sectors |
| **Single Market agreement (EEA option)** | Outside EU Common VAT area | Separate quotas/ safeguards continue to apply– meaning duties on trade in steel above quota | Yes, including regional cohesion schemes for those areas of enhanced co-operation. | Broad dynamic alignment across all included sectors |
| **EU membership** | Inside common VAT framework – goods movements become intra-EU transfers | EU trade remedies would apply externally, but UK-EU trade in steel would be tariff and quota free. | Yes, obligations of an EU member state on contributions. Likely no return to post-1984 UK rebate on contributions. | EU rules apply and are shaped by the UK as a member |

| Model | Services/data | Free movement of people | Youth mobility | Influence in Decision-Shaping | Costs and benefits |
|---|---|---|---|---|---|
| **TCA-plus** | Limited access to EU market; EU makes multi-year decision on data flows with UK. | No | Negotiable scheme | Low | Lowest institutional cost; limited growth gain 0.4% under weak youth experience deal. |
| **Customs union** | Limited access to EU market; EU makes multi-year decision on data flows with UK. | No | Negotiable | Low | Trade-policy constraint; GDP gain up to 0.5% in the long run - 10-15 years - UKICE |
| **Single Market agreement (Swiss option)** | Partial services access to EU market, but very limited access in financial services; EU makes multi-year decision on data flows with UK. | Yes, with brake | Broader mobility given free movement of people (with brake) | Some influence – new Bialterals III agreements would increase that to medium-high levels, but no votes on EU legislation | UKICE: 1-2% gain of GDP in the long run - 10-15 years |
| **Single Market agreement (EEA option)** | Broad Single Market access, but accepting rules set by the EU. | Yes | Full | Medium-high decision shaping, but no votes on EU legislation | UKICE: 2-3% gain of GDP in the long-run - 10-15 years |
| **EU membership** | Full Single Market access – free flows of data | Yes | Full | Full votes and representation in the key institutions | Highest obligations but also highest growth opportunities; UKICE: between 4-5% of GDP in the long run - 10-15 years. |

**Made in Europe treatment**

TCA-plus would depend on a negotiated trusted-partner exemption. A customs union alone may not guarantee inclusion because Made in Europe rules can turn on production, assembly, procurement and regulatory conditions rather than tariffs alone. Swiss and EEA-style models provide stronger routes to influence, because of deeper Single Market alignment but no exemption. Membership provides automatic exemption from Made in Europe laws through application of the full Single Market freedoms in goods, services, capital and people.

## Table 6: How Government and Business should assess the choices

| Test | Questions to answer |
|---|---|
| Growth and investment | Effect on trade intensity, productivity, investment and regional output. |
| Business costs | Customs, VAT, origin, testing, data, mobility and administrative costs. |
| Sector impact | Automotive, aerospace, steel, chemicals, nuclear fuels, small modular reactors, pharmaceuticals, food, energy, defence, financial, and digital services. |
| Economic security | Supply-chain resilience, critical inputs, procurement and response to economic coercion. |
| Autonomy | Practical value of regulatory and trade-policy freedom, including how it would be used. |
| Influence | Formal votes, decision-shaping, consultation rights and early access to policy development. |
| People | Mobility rights, skills supply, youth routes, emergency brake, and enforcement. |
| Public finance | Budget contributions, administration, transition costs and fiscal gains from growth. |
| UK constitution | Northern Ireland, devolution, territorial impacts and governance. |
| Deliverability | Negotiating appetite, timetable, legal steps, parliamentary process and public consent. |

The analysis should distinguish between formal sovereignty and effective control. A rule may be made independently in the UK, but if exporters must follow the EU version to reach their largest market, divergence can create cost without creating much commercial freedom. Equally, alignment should not be automatic where UK circumstances differ or the gains are weak.

Government should publish sector and regional analytical results, with an independent challenge panel involving economists, legal experts, trade practitioners, business representatives and the devolved administrations. It should also set out what each option means for existing UK trade agreements and relationships with CPTPP, the United States and other partners.

## A BCC roadmap

**At the 2026 Leaders' Summit**

- Conclude political agreements on SPS, ETS linkage, and youth experience, with implementation schedules.
- Begin negotiations on a binding UK-EU economic security agreement and secure interim trusted-partner treatment within a political declaration making reference to areas covered by prospective European preference commitments within the Industrial Accelerator Act and the Cloud and AI Development Act.
- Agree a work programme on defence procurement, steel, electric-vehicle rules of origin, business mobility, qualifications and conformity assessment.

**During 2027**

- Conclude the electricity market agreement as soon as possible after the Summit given that negotiations only began this spring.
- Implement the short-term package of deliverables from the 2026 Leaders' Summit and publish measurable results.
- Conclude the economic security agreement, including supply-chain mapping and consultation on new industrial measures.
- Seek UK accession to the Pan-Euro-Mediterranean Convention and a practical VAT co-operation agreement.
- Secure durable participation in Horizon Europe and Erasmus+ for the next EU budget period.

**For the longer term**

Government should:

- Publish an options paper using a common economic methodology as soon as possible after the Leaders' Summit.
- Consult the Domestic Advisory Group, business representative groups, sector groups, and the public through a time-limited, open call for input on the options.
- Set out its preferred model, the trade-offs it accepts and the democratic process required considered by the independent scrutiny panel.
- Avoid a false choice between immediate improvements and future ambition. Business needs lower costs now and a stable direction for the next decade.

The BCC will, over the coming months, facilitate discussions on desired outcomes and red lines, and consult its domestic and international chambers and Business Council before setting out its preferred approach.

Decisions must be based on evidence, involve business, and be judged against growth, resilience and practical impacts.





# 8. CONCLUSION

Nearly six years after the TCA took effect, the UK-EU economic relationship has reached a turning point. Businesses have adapted to changing legislation with determination, but this has not removed the underlying costs.

Customs, VAT, origin rules, product requirements, mobility restrictions and regulatory uncertainty continue to shape commercial decisions. At the same time, EU policy is moving rapidly towards a stronger economic security and distinct industrial policy model that threatens to leave UK firms behind.

The Leaders' Summit should deliver the agreements already within reach. A deep SPS deal, ETS linkage, and a balanced youth experience scheme would lower costs and support growth. Progress is also needed on steel tariffs, electricity market trading, electric vehicles, business mobility, qualifications and enhanced defence co-operation and procurement opportunities.

But delivery must be matched by strategy. Made in Europe creates an immediate test of whether the UK will be treated as a conventional third country or as a trusted European partner whose firms are integral to the continent's supply chains. A binding economic security agreement offers the best foundation for a durable answer but it is not a complete solution.

Beyond that lies a wider choice. The TCA can be improved, but only up to a point. A customs union, Swiss-style agreement, EEA-style relationship, combined model or EU membership would each change the balance between market access, alignment, mobility, influence and autonomy. None is cost-free, but the status quo also carries costs.

The task for government is to put the evidence before the country. It must explain the trade-offs, honestly, and choose the relationship that gives businesses the strongest platform for growth, investment and resilience for the benefit of all UK residents.

The UK and EU will remain close economic, security and political partners. The big question is whether that proximity is managed through repeated friction and short-term fixes, or through a clearer structure designed for the many challenges ahead.

**The Summit must begin that next phase.**

# APPENDIX

i. See https://researchbriefings.files.parliament.uk/documents/CBP-7851/CBP-7851.pdf accessed on 22 October 2026..

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vi. See Nicholas Bloom et al "The Economic Impact of Brexit" (National Bureau of Economic Research, revised 2026) at https://www.nber.org/system/files/working_papers/w34459/w34459.pdf accessed on 5 October 2026.

vii. See Springford and Spisak supra chart 2 accessed on 5 October 2026.

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xiv. See Centre for Inclusive Trade Policy, "Trade, productivity, and the UK economy: What the data tells us" https://citp.ac.uk/publications/trade-productivity-and-the-uk-economy-what-the-data-tells-us accessed on 5 October 2026.

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xvi. https://qna.files.parliament.uk/qna-attachments/1889874/original/DBT_SPS_GDP_Impact_method_note.pdf accessed on 5 October 2026.

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xix. See evidence from BCC at House of Lords European Affairs Committee hearing on dynamic alignment on 21 April 2026 at https://committees.parliament.uk/oralevidence/17516/pdf/ accessed on 22 October 2026.

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