



# **THE TRADE AND COOPERATION AGREEMENT FOUR YEARS ON A MANIFESTO TO RESET UK-EU TRADE**



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# Introduction

**The EU is the UK's largest and most important trading partner in the world: it accounts for 42% of UK exports and 52% of imports. But four years after the Brexit transition period ended and the implementation of the Trade and Cooperation Agreement, it is clear that cross-border trade and economic output are being held back. What is needed is a pro-growth, pro-business reset of our 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. Analysis by Professor Jun Du, at Aston University, has revealed a reduction of between 20% to 42% in traded product varieties in the first 15 months after the end of the transition period in December 2020<sup>ii</sup>. But it also established that a liberalising deal on sanitary and phytosanitary requirements, could achieve renewed export growth<sup>iii</sup>.**

In the past twenty months, there has been a shift in the level of dialogue and cooperation between the UK and the EU. The implementation of the Windsor Framework has intensified, there has been progress on energy, defence and security matters, and the UK has been a strong partner in science, research and technology through Horizon Europe and Copernicus. The recognition of CE marking in the UK Internal Market has been extended in the past year to cover construction goods as well as industrial goods. The UK government has adopted a new approach on alignment on a range of goods, with the Product Regulation and Metrology Bill. It will cover certain EU decisions on specific industrial, electrical and electronic goods categories. Both sides also have a better understanding of the regulatory issues required to underpin a renewal of data adequacy arrangements. These permit transfers of data from the EU to the UK, which represent 75% of the UK's inbound cross-border data flows.

The new European Commission College of Commissioners which has just taken office, together with the change of government in the UK, provide a timely opportunity in 2025 to reset our economic and trading relationship. The UK government has economic growth as its primary mission for the next five years. The new Commission wants to build a more competitive EU for the second half of the decade. Both sides have clear red lines about how the relationship can develop. The EU's perspective is no cherry picking of reduced friction access to the EU Single Market, and the UK government's position is no customs union, and no access to the Single Market requiring free movement of people. But there are many clear areas where it is possible to improve our cross-border trading relationship – business has called for that, and we make clear deliverable recommendations on change in this report. As well as new arrangements sitting alongside the Trade and Cooperation Agreement (TCA), we also propose areas of cooperation on energy, climate, and VAT where the full potential of the existing TCA can be realised.

Businesses continue to manage the compliance burdens introduced from 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)<sup>iv</sup>,
- for certain goods sectors, reporting requirements under the EU's Carbon Border Adjustment Mechanism Regulation, and
- responsible economic operator obligations under the new EU General Product Safety Regulation covering many goods sectors.

For many, this has become part of the everyday task of cross-border trade, but for others, in 2024 as in the previous three years, the burden proved too much, and some stopped exporting to the EU. As this report shows, our research consistently finds that these remain top trade barriers for SME exporters<sup>v</sup>.

In 2024, regulatory divergence become even more relevant for UK and EU firms, with the introduction of the General Product Safety Regulation in December. This requires GB firms to make arrangements for a responsible economic operator in the EU or Northern Ireland to ensure compliance with the new rules. As a Windsor Framework measure, it also applies to GB businesses moving goods in affected sectors across the Irish Sea to Northern Ireland. This year also saw a new approach to the labelling of food products affected by the Windsor Framework, with the requirement for cross-UK labelling removed, replaced by labelling of products moving from Great Britain (GB) to Northern Ireland (NI).

Looking ahead, UK exporting businesses will have to prepare for the full fiscal effects of the EU Carbon Border Adjustment Mechanism (CBAM) to six sectors of goods in a year's time.<sup>vi</sup> New legislation on deforestation in supply and in sourcing chains will affect GB exporting companies late next year and in mid-2026.<sup>vii</sup> And further EU measures on supply chain attestations will also impact UK firms from 2026<sup>viii</sup>. For Northern Ireland businesses, the changing pattern of EU regulation for goods, and managing compliance for the UK internal market, is a daily reality. These changes emphasise that the UK's trading relationship with the EU (and even within the UK Internal Market itself) is not static but is continually evolving as new policies and regulations are introduced by both sides. This makes effective regulatory cooperation and dialogue between the UK and EU crucial, if we are to reduce business compliance burdens now and in the future.

The BCC's Insights Unit has spoken to thousands of businesses in surveying 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 to make the TCA work better as we enter its fifth year. Their first-hand accounts reflect the everyday experiences of trade being foregone, new costs being imposed, and barriers raised to commercial activity. It is the time for real and lasting reforms in 2025 to make trade easier for business in the UK and EU alike.

# FOREWORD



**Peter Bell**

Vice-President and Chair of the Executive Committee of The British Chamber of Commerce | EU & Belgium.

**I am privileged to write this foreword on the importance of the relationship between the European Union and the United Kingdom, at a significant time for the Trade and Cooperation Agreement (TCA).**

Four years since its implementation, we find ourselves at a critical juncture—a moment ripe with opportunity to reassess, recalibrate, and reinvigorate our trade relationship.

The TCA was born out of necessity, crafted in a climate of urgency and uncertainty and in a very different geopolitical environment. While it has provided a foundation for ongoing trade and cooperation, its limitations have become increasingly apparent with the evolving challenges that Europe faces.

Businesses on both sides of the Channel continue to navigate complexities that hinder their potential, from regulatory divergence and non-tariff barriers to supply chain disruptions. These challenges underscore the need for a forward-looking strategy to enhance the EU-UK trade framework—a strategy that prioritises collaboration, innovation, and mutual growth.

The message is clear: there is an appetite for a closer, more constructive partnership which looks towards mutually beneficial outcomes. The TCA should not be a static document. It needs to be a living agreement, capable of adaptation to changing circumstances and shared ambitions.

For the EU, fostering stronger ties with the UK is not only a matter of economic pragmatism. It is also about maintaining shared values and a commitment to global leadership in areas such as net zero, sustainability, digital transformation, and trade resilience in supply chains.

Businesses play a vital role in driving this agenda. EU and UK business communities have adapted remarkably, but they cannot operate in isolation. Clear, predictable, and harmonised frameworks are essential to unlocking the full potential of this partnership. This manifesto, authored by UK businesses, is both timely and essential. It provides a blueprint for action, offering tangible solutions to address immediate barriers while setting the stage for longer-term alignment.

Key among the proposals are measures to streamline regulatory cooperation, enhance mutual recognition of standards, and reduce administrative burdens. Equally important is the focus on building trust and fostering dialogue.

Trust is the bedrock of any successful partnership, and it must be cultivated through consistent engagement, transparency, and a shared commitment to mutual benefit.

As we look ahead, let us not lose sight of the unique opportunity before us. The EU and UK share deep historical, cultural, and economic ties. Strengthening our trade relationship is not merely a matter of convenience but a strategic imperative that will shape the future of both regions for decades to come.

This manifesto is more than a call to action; it is an invitation to imagine a future where EU-UK trade demonstrates collaboration at its best. As we embark on this journey, the voices of business, amplified by clear and actionable policy proposals, will be indispensable in ensuring that the TCA evolves into a catalyst for shared success.



SECTION 1

**THE KEY PARTS  
OF THE TCA:**

HOW ARE THE  
TRADING TERMS  
WORKING FOR  
BUSINESS?



## Tariffs and Rules of Origin

Before the TCA came into force at the start of 2021, over 200,000 UK companies (including many SME exporters) had only ever traded with the EU on a tariff-free, but also near frictionless, basis. They were aware, though, that the UK would leave the EU customs union and begin a new relationship with the EU. 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.

For inbound goods of animal and plant origin coming to Great Britain from the EU, the controls regime was finally introduced this year, although checks on fruit and vegetables will not start until 1 July 2025<sup>x</sup>. Customs, VAT and origin evidence requirements on inbound goods were introduced in 2021. The obligations on safety and security certificates will come into force for EU goods imports to Great Britain from the end of January 2025<sup>x</sup>.

The TCA contains rules on what inputs qualify for zero-tariff treatment. In most cases, goods must contain a requisite 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 sourced content do not qualify for zero-tariff treatment, and goods which have not been sufficiently processed or made in the UK do not qualify 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 within the TCA rules of origin has led to reduced choice in sourcing components, ingredients, or parts for UK manufacturers.<sup>xi</sup> Members of our international Network of British Chambers have already identified problems on lack of flexibility on cumulation, in terms of trade in the European neighbourhood beyond the EU, such as Serbia, Albania, and Montenegro.

The BCC has evaluated our survey and other data, and supports the UK rejoining the Pan-Euro-Mediterranean (PEM) Convention<sup>xii</sup>. This would provide UK and EU businesses with additional flexibilities on diagonal cumulation, alongside EU and UK inputs, in goods destined for markets around the European neighbourhood, Middle East and North Africa. New PEM Convention rules will enter into effect on 1 January 2025 and will need to be taken account of in future negotiations.\*

From January 2024, the phasing in of a higher percentage of local content was set to be introduced on electric vehicle batteries (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 would have 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<sup>xiii</sup>. The BCC supports this measure but also believes a more comprehensive solution should eventually be implemented. This could either be through changes in UK/EU battery production capacity, or further measures, given the importance of global supply issues, around critical minerals and metals involved in battery production. This is a key element in the government's Industrial Strategy<sup>xiv</sup>.



## Customs and Hauliers

TCA customs rules are based on WTO Trade Facilitation Agreement terms, not the EU Union Customs Code (UCC), as the UK did not wish to align with the UCC (in respect of Great Britain). This means exporters were required, from January 2021, to have safety and security certificates, accompanying other customs documentation, with their consignments. 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. A comprehensive package of EU customs reforms is expected to be prioritised by the new mandate of the European Commission. This will likely include a review of the Union Customs Code (UCC) and prospective abolition of the de minimis threshold on duties. This would have a considerable impact on low value e-commerce consignments imported from GB into the EU<sup>xv</sup>.

Over the past four 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, Phase 2) for air freight, maritime, road and rail was implemented during 2024. It requires entry summary declarations for goods transported by these routes into the EU<sup>xvi</sup>.

Many traders are also still concerned about the inconsistent application of customs rules by each member state's customs authorities<sup>xvii</sup>. EU proposals to create an EU Customs Authority by the end of the decade may help in reducing these disparities.<sup>xviii</sup> But we would urge greater cooperation, in the meantime, between UK and EU customs authorities with those businesses with roles in cross-border trade and logistics, to resolve ongoing problems now.

The phasing in by the UK government of the Border Target Operating Model (BTOM), in 2024, has involved additional costs for importers of record 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)<sup>xix</sup>. These charges have proven onerous for small and medium sized businesses owing to the flat rate nature of the charging per commodity line, capped at five per CHED (common health entry document). Additional checks for fruit and vegetable imports are due to be introduced from July 2025. We believe these should be reviewed in the context of agreements which can be reached between the UK and EU, particularly if checks and some border processes are amended as a result of those negotiations.



## **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. 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, movements of affected goods have taken place via designated Border Control Posts (BCPs), involving 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 signature requirement of EHCs have caused significant hardship for British agri-food exporters since 2021, particularly SMEs<sup>xx</sup>. 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<sup>xxi</sup>.

The BCC favours a negotiated veterinary agreement between the UK and EU, reflecting precedents the EU agreed with both Norway and Switzerland. This would eliminate the requirement for EHCs in either direction. On balance, we have concluded this is the right decision, given the nature of agri-food supply chains both in and out of Great Britain. It would also ensure that some of the costs involved in Windsor Framework compliance would be reduced or fall away as well, depending 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 sides. We would also recommend that these terms are extended to trade between the UK and Switzerland, and the UK and Norway, Liechtenstein and Iceland (the EEA-EFTA 3 states).

## VAT

From BCC research throughout the last four years, import VAT has emerged as one of the key barriers 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 for import VAT 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 EU FTA trade preferences, some have faced requirements both to form 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<sup>xxii</sup> – meaning higher priced goods from Great Britain sold via the iOSS may need a fiscal representative in the future.

An easement on postponed VAT accounting for UK companies, called for by the BCC<sup>xxiii</sup>, 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 in the coming years.

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. The BCC raised this issue during the 2022-2024 meetings of the Civil Society Forum, attended by UK government and EU officials and other stakeholders. But, as of December 2024, 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.

VAT is, therefore, likely to remain one of the main obstacles to trade for British companies with EU customers and suppliers. We believe it should be addressed as a priority in any relationship reset discussions between the UK and EU in 2025 and the fiscal representative requirement removed.

## 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 with over two-thirds of services being provided via remote or electronic communications access (Mode 1)<sup>xxiv</sup>. Temporary stays in each other's areas for business purposes, for example conferences and internal company meetings, are permissible, but are restricted to 90 days in any 180-day period. Although secondment is possible within companies with 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 any mutual recognition arrangements has been slow. It requires further political steer from both the UK and EU. 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 with the UK. A mutual recognition agreement, reached during any reset discussions in 2025, could generate the necessary political impetus and in-depth cooperation between regulatory bodies.

Previous arrangements, involving free movement of workers from the European Economic Area (EEA), ended on 31 December 2020. However applications for settled status in the UK by EU nationals have continued, although the system closed for most applicants on 30 June 2021.

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<sup>xxv</sup>. 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 the previous or current government<sup>xxvi</sup>. A comprehensive analysis should be conducted into the elements of different youth mobility schemes reached by both sides, and this should then inform any negotiations between the UK and EU. We believe balanced arrangements allowing young people to work, study and visit the other territory would benefit economic growth in both the UK and EU. This is supported by recent analysis by the Centre for European Reform, which outlines a prospective long-term boost to economic output from such a scheme.\*\*



## 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) within trade rules. 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 would 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 CE marking 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 the CE 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.

After a long campaign, the 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<sup>xxvii</sup>. In September 2024, this was extended to construction sector products, which we had also called for<sup>xxviii</sup>. But it does not apply to medical devices, where UKCA testing and markings are required on those goods placed on the market in Great Britain. However, the UK government has recently launched a consultation on product markings on these devices, concluding in January 2025<sup>xxix</sup>.

The decision on CE marked goods has been well received by industry but has 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 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.

## 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 them in both markets.

This has introduced significant added cost pressures. The UK government has offered a delay in compliance with the full registration requirements involved with UK REACH, pushing this back until 27 October 2025. This also gives it time to consult business and others on these arrangements<sup>xxx</sup>. 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 here, given the inclusion of these products within a key part of the EU Single Market approach to regulation, but there would be clear benefits from enhanced regulatory cooperation between the UK and the EU in this sector.

In Northern Ireland, under the Windsor Framework, the EU REACH system continues to apply<sup>xxxi</sup>.

## Data Flows

Data from the EU comprises 75% of the UK’s overall cross border data flows<sup>xxxii</sup>. These are the lifeblood of international trade in goods and services. A transition period on data flows between the UK and EU applied from January to June 2021, when the EU made adequacy decisions, under the General Data Protection Regulation (GDPR)<sup>xxxiii</sup> and the Law Enforcement Directive<sup>xxxiv</sup>. These permit the flow of personal data, such as employee or customer data, from the EU to the UK. These decisions are due for renewal in 2025, and the current UK government has made renewal a priority of its policies on cross-border data flows. The Data (Use and Access) Bill<sup>xxxv</sup>, currently before the House of Lords is deemed to be compliant with the key elements of the current data adequacy relationship.

The BCC supports renewal of the data adequacy decisions as a top priority for UK-EU relations in the coming year. 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 and removing the uncertainty for business of a five yearly review and renewal process.

## 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<sup>xxxvi</sup>, has led to a reduction in physical checks for goods moving from GB to NI. But certain food products have to be labelled 'not for EU' to ensure they do not enter the EU Single Market. Further rollout of labelling is due in summer 2025, extending to fish, fruit and vegetables, and composite food products. Another major implementation issue, from April 2025, will be the movement by authorised operators of postal packets and parcels, particularly from business to business. There has yet to be any resolution of whether NI will form part of the EU's Carbon Border Adjustment Mechanism (CBAM) or the UK's version, which is also leading to business concerns in NI. Further uncertainty for trade with the Internal Market is flowing from the General Product Safety Regulations, in force in NI from mid-December 2024.<sup>xxxvii</sup>

On 10 December 2024, the Northern Ireland Assembly voted by a simple, but not by a cross-community, majority to continue with the operation of the Windsor Framework for the next four years. There will also be the establishment of an independent review into the operation of the Windsor Framework by the Secretary of State for Northern Ireland, which is likely to be set up in early 2025. The UK government is very clear in its intent that the UK's obligations under agreements with the EU will be implemented in full.





SECTION 2

**POST 2021  
REGULATORY  
DEVELOPMENTS IN  
THE UK AND THE  
EU – MANAGING  
DIVERGENCE**



**Apart from in Northern Ireland, under the Windsor Framework, EU rules have ceased to have direct effect in the UK since January 2021 and the expiry of the transition period. 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 cooperation while respecting their own autonomy to change legislation as two distinct territories.**

## Retained EU Law

In the last Parliament, legislation would initially have revoked all retained EU legislation by the operation of a sunset clause at the end of 2023. However, amendments made late on in the Bill's legislative passage radically changed its effects. These removed the sunset clause completely, and instead specified a list of around 600 retained laws to be revoked or amended, while the remainder of retained EU law would continue in operation. There was little desire from businesses for the instability of mass removal of this legislation and there was some relief that a more nuanced approach to retained EU legislation had been adopted.

While this debate raged, the UK government's attitude to new EU legislation was being developed, partly through the Windsor Framework, with a 'whole of UK' approach to regulation in key areas. In some sectors, a policy of soft alignment with the substance of new EU legislation was pursued, with exceptions on some climate and environmental rules, and occasional divergence on food legislation. Nevertheless, there is a lack of 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.

A survey of almost 1,000 businesses (mostly SMEs) conducted by the BCC, in October 2022, showed that levels of awareness of the then Retained EU Law Bill were very low: 30% were not aware of the Bill, 41% were aware but knew no details, 25% said they knew some details, and only 4% comprehensively understood what it meant. The survey also found that only a small minority of firms (around 15-18%) viewed deregulation across a range of areas such as employment, health and safety, or product safety, as either a top or high priority.

## 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<sup>xxxviii</sup>.

The EU's trade and industrial policies have continued to evolve, through the rollout of its Open Strategic Autonomy approach<sup>xxxix</sup>. This uses trade remedies instruments and its own new supply chain rules to be more assertive. This includes tackling supply chain security issues which arose through the pandemic and the outbreak of the war in Ukraine. The Chips Act<sup>xl</sup>, Anti-Coercion instrument<sup>xli</sup>, and its Green Deal<sup>xlii</sup> have all been adopted as part of its industrial strategy.

In 2024, a pragmatic approach, endorsed by the BCC, resulted in an agreement by the EU to treat UK companies complying with sanctions against Russia in the same way as EU companies, following 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 cooperation 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 involve Ministers, European Commissioners, and officials in both the UK and EU. This would provide greater insight into regulatory approaches being taken and allow closer working on implementation and guidance.



## Carbon leakage and EU Carbon Border Adjustment Mechanism

The EU's Carbon Border Adjustment Mechanism (CBAM) started phasing in from 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<sup>xliii</sup>. When fully in place from January 2026, the system will impose charges on goods which originate from 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.

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<sup>xliv</sup>. 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 effectively requires GB exporters to provide details of any products in scope of this phase of CBAM being sent to the EU, as well as direct and indirect emissions (e.g. electricity used in production of goods). These will have to be reported by the importer in the EU on a quarterly basis.

In terms of the Implementing Regulation<sup>xlv</sup> and the guidance provided to third country economic operators<sup>xlvi</sup>, businesses in Great Britain sending goods to the EU are strongly advised to draw up a list of all goods they produce, including 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 which is required to meet the reporting obligations. Producers in Great Britain now have to adopt processes for weekly, and in some cases daily, monitoring of gas usage, to provide the information related to the reporting requirements. Implementation of EU CBAM has gained momentum throughout 2024, with accurate data on emissions now required. Although the EU guidance provides some flexibility on enforcement<sup>xlvii</sup>.

The status of CBAM in Northern Ireland has yet to be resolved by the European Commission and UK government as of mid-December 2024. The question is if it will be treated as part of the UK for this purpose, or whether it is treated in terms of EU legislation given effect by the Windsor Framework (or added thereto)<sup>xlviii</sup>.

The previous UK government consulted in 2023 on similar policies to tackle carbon leakage<sup>xlix</sup>, including the introduction of a UK CBAM later this decade. The current government produced its response to the consultation in October 2024<sup>l</sup>. This commits to introducing a UK CBAM in January 2027. There are then reporting requirements on embedded emissions from 2028, and a CBAM rate being eventually applied to imported goods where differentials in the carbon price exist.

The BCC's policy approach is to support the creation of a UK CBAM in 2027. This should cover most goods within the scope of the Emissions Trading Scheme, alongside suitable adjustment periods. The UK should seek as soon as possible formal linkages with the EU ETS to avoid creation of new trade frictions. Analysis in 2024 has shown the degree of exposure of key UK economic sectors and regions to the fiscal element of the EU CBAM, due to impact affected UK exports from January 2026<sup>li</sup>. This strengthens the case for a solution such as ETS linkage. Linkage has also been supported by a former senior DG Trade official in the European Commission, in an authoritative policy paper on the UK-EU relationship reset<sup>lii</sup>. It would also provide a long-term stable foundation for cross-border investment in energy.

The Emissions Trading Schemes of the UK and the EU should be formally linked by an agreement made under the legal basis provided for in the Trade and Cooperation Agreement<sup>liii</sup>. If necessary, bridging arrangements should be put in place, if an agreement cannot be fully negotiated in time for the start of 2026.

## Deforestation and supply chain legislation

The EU Deforestation Regulation<sup>liv</sup> will come into effect on 30 December 2025. It will create reporting requirements for SMEs and larger businesses alike, exclude products which contribute to deforestation from entering the EU Single Market. Micro and small businesses will have until 30 June 2026 to become compliant with the Regulation. This was subject to a delay in implementation of twelve months, following representations made by many countries to the EU in 2024 over the effects upon supply chains and trade. Further measures to enhance corporate responsibility on supply chains are being implemented by the EU in 2026.

## EU VAT changes

The EU's current legislative proposals, as part of its VAT in the Digital Age (ViDA) policy reforms, prepare European companies for the further expansion of e-commerce and trade digitalisation. The reforms also seek to reduce the VAT gap between the taxes potentially recoverable from businesses and the revenues actually paid. The aim is to cut the gap by up to €11bn per year over the next decade. They are also the first major change to EU VAT laws since the UK left the common VAT area as part of the Brexit process. They will nevertheless affect UK companies - some of this will be welcome, but other effects will likely prove more challenging. It should also be remembered that Northern Ireland continues to apply EU VAT law on traded goods but not services, and these reforms will have relevance there for its trading relationship with the EU.

Some of the reforms will simplify compliance burdens for third country exporters like Great Britain. For example, registering in one EU state for VAT will be all that is required for a company, rather than having to register in multiple EU states where commercial activity is conducted. The introduction of this is likely to be delayed until 2026.

The deemed supplier principle will be extended, potentially from 2026, into new sectors such as transport and hotel accommodation, which use online platforms<sup>iv</sup>. They will assume liability to levy VAT if the individual suppliers have not done so. A major change will be a mandatory requirement on online platforms to use the import One Stop Shop (i-OSS) for goods being sent to EU customers from outside the EU. As previously stated there will also be a broader obligation for other transactions of goods entering the EU to use i-OSS. The current rules apply to goods under €150 in value only.

In services, third country exporters of services via remote means into the EU will be brought within the scope of VAT rules. They will have to account for the VAT due on the supply of services to individual EU customers via the OSS. On balance, these measures appear to fulfil the remit of tackling the fiscal gap from VAT fraud. But while some of them will offer simplifications for UK traders, others will mean greater complexity and compliance burdens for those offering cross-border services.

## Conclusions

On regulation more widely, there is good sense in keeping business costs as low as possible, by the UK aligning with the 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 cooperation 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. On services, a different approach is more suitable, allowing divergence where it is in the economic interest to do so.





SECTION 3

**WHAT BUSINESSES  
HAVE TOLD US IN  
2024 ABOUT USING  
THE TCA**



**The BCC's Insights Unit runs an extensive research programme which has been surveying businesses on attitudes towards trade for many years. Since the start of 2021, we have been assessing the ease or difficulty with which businesses have adapted to TCA rules 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 July to August 2024. This received 1,111 responses from businesses across the UK (up 80% on the number of respondents from 2023), with 33% in the manufacturing sector, 56% in services, and 11% in the public sector or third sector. A total of 92% of participants were SMEs (fewer than 250 employees). Additionally, 45% of respondents reported that they export, which is relatively consistent with the profile of Chamber member businesses.**

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

- Ongoing compliance issues for businesses following the rules of the TCA, particularly around exporting requirements related to customs;
- Some optimism from current exporters around expectation to grow exports over the next twelve months; and
- Strong lack of awareness of incoming changes to trade and regulatory policy, such as CBAM.



**BCC SURVEYS ALSO RECEIVE HUNDREDS OF COMMENTS FROM BUSINESSES. BELOW IS A SELECTION OF THEIR EXPERIENCES OF TRADE WITH THE EU:**

“Dealings with the EU have got much more of a problem since Brexit.... Shipping to all markets overseas has become more of a problem as a result of Brexit too.”

**Micro retail or wholesale firm in Staffordshire**

“Brexit was a disaster for companies like ours. Creating unnecessary red tape and restricting significant trade to the EU and beyond.”

**Micro retail or wholesale firm in Staffordshire**

“The border forces at the point of entry into the importing country seem to be getting better at processing all of the documentation. We never have an issue getting produce out of the UK but it can still hit a wall at the other side when a customs officer doesn’t process the delivery correctly and ticks the wrong box.”

**Micro manufacturer in North and Western Lancashire**

“We have much more paperwork than we used to. It is more bureaucratic exporting to the EU and getting worse.”

**Micro retail or wholesale firm in South Cheshire**

“We import from Italy and sell to all other EU countries but have to pay Import Duty and experience delays in delivery. A lot of hassle for our customers some of which have sourced their products from other countries without these regulations and costs.”

**Micro manufacturer in Glasgow**

“We’re competing against bigger competitors based in the EU who now all have a significant structural advantage. This is an imbalance we’re unable to address on our own.”

**Micro retail or wholesale firm in Sheffield**

“Customs and export processes and barriers to export to the EU. Health Certificates for food products are our main barrier to expand. The difficulties of free trade with Northern Ireland are still a huge barrier to increase our sales.”

**Large retail or wholesale firm in Mid Yorkshire**

“We were sold untruths of how trade would be after Brexit by assuming ALL 27 countries would interpret the rules the same way which is clearly not the case. Animal products such as honey or minor ingredients such as a small amount of dairy in a product should not have to carry a veterinary certificate. Labelling goods in the UK as unsuitable for sale within the EU should not be allowed to happen, it devalues the product to the UK consumer.”

**Small manufacturer in Cumbria**

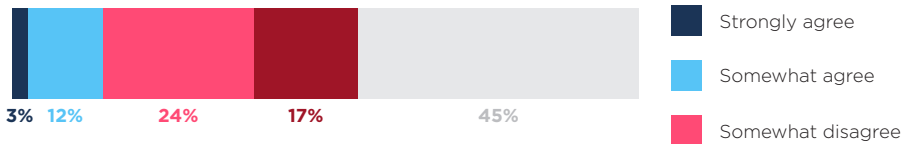
“We are unable to export efficiently to EU customers from the UK, so we took the decision back in 2021 to open a depot in France. We export to 23 EU countries from here, but it is too expensive and time consuming to do so from the UK.”

**Medium-sized manufacturer in Ayrshire**

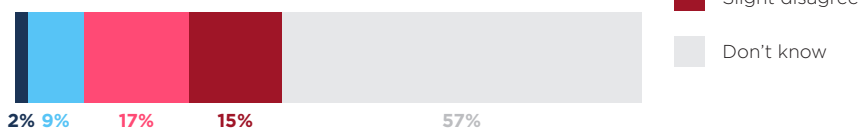
**To what extent do you agree or disagree that the UK-EU Trade and Cooperation Agreement (TCA) is enabling your organisation to grow or increase sales?**

BASE: (Total: N = 1067; Exporters: N = 446)

**Exporters**



**Total**



0% 100%

**40%**

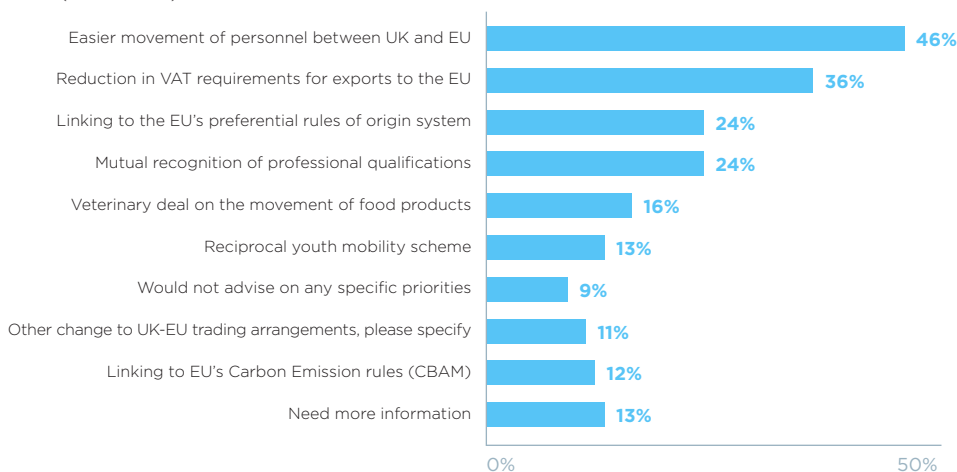
**OF EXPORTERS  
DISAGREE THE TCA IS  
ENABLING THEM TO  
GROW OR INCREASE  
SALES, A SLIGHT FALL  
COMPARED WITH  
2022/2023 WHEN HALF  
DISAGREED**

**15%**

**AGREE IT IS  
HELPING THEM**

**Here are some potential changes to UK-EU trade that could be taken forward by the UK government. Which three of the following would you advise the UK government to prioritise, if any?**

BASE: (Total N = 920)



**46%**

**ALMOST HALF OF  
BUSINESSES WANT  
THE UK GOVERNMENT  
TO PRIORITISE EASIER  
MOVEMENT OF  
PERSONNEL BETWEEN  
THE UK AND EU IN ANY  
NEGOTIATIONS WITH  
THE EU**

**WHILE UNSPECIFIED  
CHANGES HAD THE  
LOWEST RESPONSE  
RATE OF RESPONSES  
EXPRESSING A VIEW**

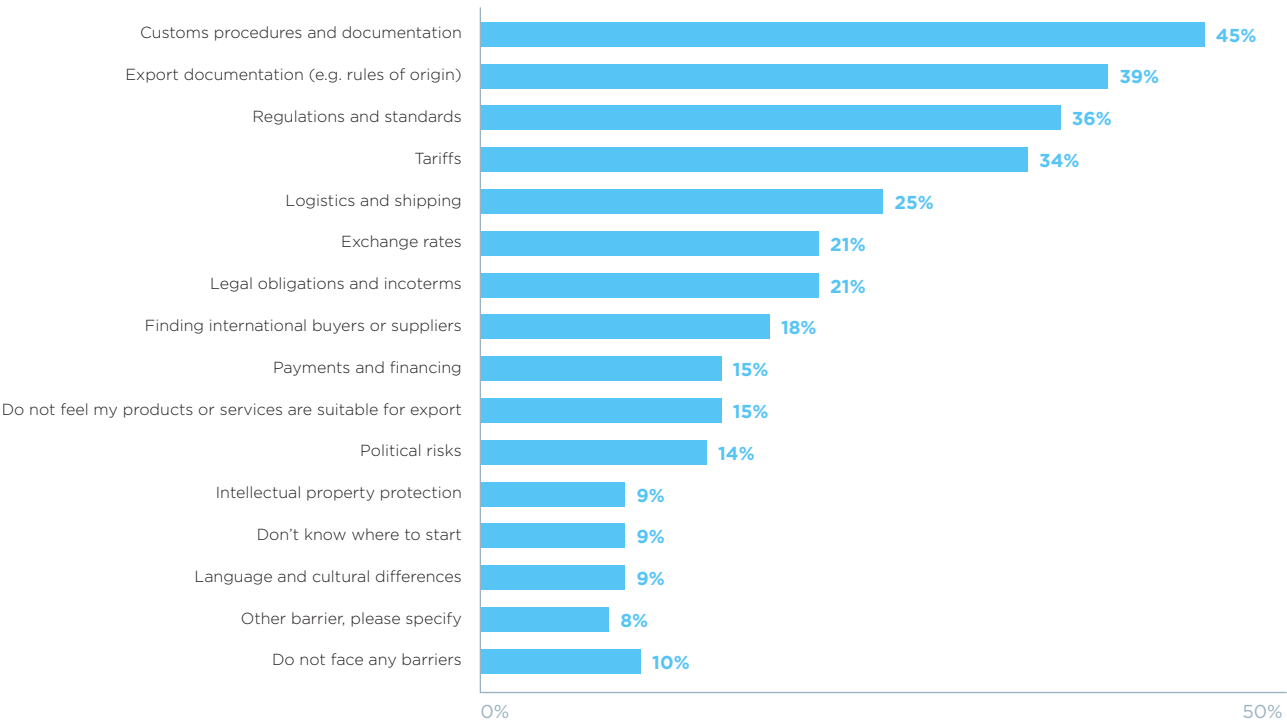


Top Trade Barriers



Regardless of whether or not your business exports, which of the following, if any, would you consider to be barriers to exporting?

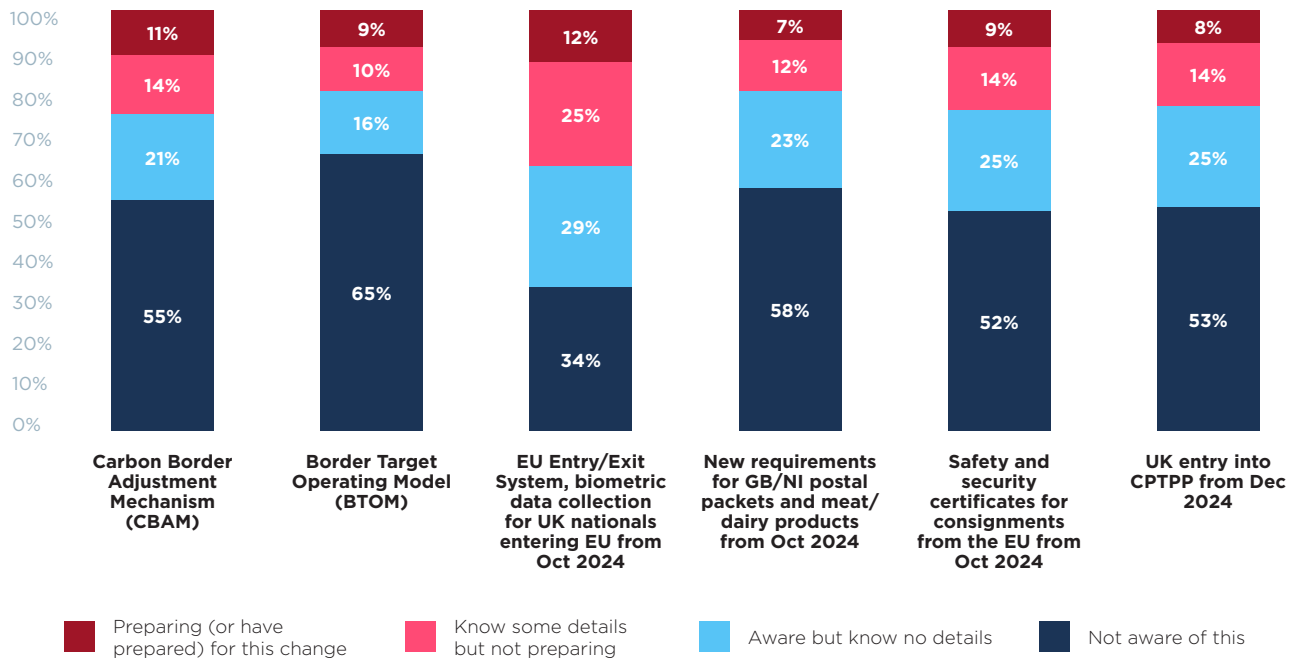
BASE: (Total: N = 1093)



The majority of respondents have a lack of familiarity of upcoming changes to trade policy, including remaining elements of the Border Target Operating Model to be implemented and the EU Carbon Border Adjustment Mechanism. The forthcoming EU Entry/Exit System (EES) had the highest levels of awareness.

For each of the following scheduled changes relating to international trade, tell us how much you know.

BASE: (Carbon Border Adjustment Mechanism (CBAM): N = 488; Border Target Operating Model (BTOM): N = 490; EU Entry/Exit System, biometric data collection for UK nationals entering EU from Oct 2024: N = 492; New requirements for GB/NI postal packets and meat/dairy products from Oct 2024: N = 491; Safety and security certificates for consignments from the EU from Oct 2024: N = 489; UK entry into CPTPP from Dec 2024: N = 491)



# 76%

OF TRADERS DID NOT KNOW ABOUT REPORTING REQUIREMENTS AND LATER FISCAL REQUIREMENTS ON EXPORTS OF GOODS CONTAINING STEEL, AND SELECTED OTHER PRODUCTS, TO THE EU

# 77%

OF TRADERS WERE EITHER UNAWARE OR UNPREPARED FOR NEW SAFETY AND SECURITY DECLARATION REQUIREMENTS ON EU IMPORTS INTO GB FROM (NOW) THE END OF JANUARY 2025.

Date of implementation changed after survey data obtained

# 81%

OF TRADERS WERE UNAWARE OF THE NEW RULES ON BUSINESS-TO-BUSINESS MOVEMENTS OF PARCELS AND POSTAL PACKETS FROM GB TO NI TO BE INTRODUCED (NOW) IN APRIL 2025.

Date of implementation changed after survey data obtained

### CONCLUSIONS FROM THIS YEAR'S SURVEY

**The compliance burdens from the structural barriers to trade introduced under the TCA are still difficult for large numbers of traders, particularly SMEs, hoping to export to the EU. There is still widespread unhappiness with the continuing scale of the paperwork burden. Four years on from the TCA being negotiated, 40% of exporters actively 'disagree' that it is helping them grow. Worryingly, there are very low levels of knowledge of key elements of the Safety and Security declaration requirements. Awareness of other key regulatory changes affecting the competitiveness of UK exports in the EU Single Market and additional regulatory and compliance burdens is also weak at best.**

This emphasises the key role that enhanced regulatory dialogue and cooperation has between the UK and EU, and the need for business to be involved. A more inclusive approach would help companies fully prepare. It is vital that they receive practical, clearer guidance on the rising number of policy changes which affect their ability to trade with customers in the EU.





SECTION 4

**UPCOMING POLICY  
IMPLEMENTATION  
AFFECTING  
CROSS-BORDER  
MOVEMENT OF  
PEOPLE, SERVICES  
AND GOODS  
BETWEEN THE EU  
AND UK**



## **KEY CHANGES IN THE NEXT TWO YEARS**



### **30 January**

Safety and security declarations required in GB to accompany goods consignments arriving from the EU.

### **April**

The UK will extend its Electronic Travel Authorisation (ETA) system to EU nationals entering the UK from 2 April.

EU nationals with settled or pre-settled status or right of abode, UK or Irish nationals and those with valid UK visas are exempt). New arrangements for movement of parcels and postal packets from GB to NI, with particular effects upon business-to-business movements of parcels and packets from GB to NI.

EU Entry/Exit System to come into operation for third country nationals entering the EU at a date to be specified in 2025. This means fingerprints and captured facial images to be recorded, as well as the name of the individual, type of travel document, date, and place of entry to the EU. This is intended to replace manual stamping of passports, but there are concerns the system may increase delays at ports, transport hubs, and other border crossing points.

### **July**

Third stage of Windsor Framework compliance measures come into effect, including labelling of fish, fruit and vegetables, composite food products moving from Great Britain to Northern Ireland with 'not for EU' labelling.

### **December**

EU Deforestation Regulation (EUDR) set to enter into effect for larger businesses – including UK companies – covering 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.

### **Date TBC**

Introduction of visa waivers for short stays (up to 90 days out of each 180-day period) and pre-travel authorisation system for UK nationals seeking to travel to the EU. This will be through the rollout of the European Travel Information and Authorisation System (ETIAS).



- Fiscal element of the Carbon Border Adjustment Mechanism to be introduced from January 2026. EU CBAM rollout to be completed, with charges introduced.
- Application of aspects of the EU ViDA VAT reform package for online platforms and other operators.
- EU Corporate Sustainability Due Diligence Directive for implementation by EU member states in 2026.
- EU Deforestation Regulation set to enter into effect for smaller and micro businesses from end of June 2026.



UK CBAM due to be implemented from January 2027.



Proposed cap by UK Payment Systems Regulator on interchange fees for cross-border digital transactions.





SECTION 5

# **OUR POLICY RECOMMENDATIONS**



**Given the range of issues which Chamber member companies have raised on the realities of trade with the EU in 2024, our policy recommendations are split into three categories:**

- **Priorities for any reset negotiations in 2025 taking place after the Leaders' Summit in the spring.** Issues which the UK government and the European Commission could commence negotiations on in 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;
- **Medium-term issues,** which could be addressed by further supplementary agreements beyond the initial reset negotiation priorities and the technical review in 2026 mandated by the TCA; and
- **Longer-term issues,** which will require a more substantial evaluation of any improvements in trade delivered by the outcomes of the reset negotiations. These also include other key areas of future development in the economic and trading relationship that need to be progressed.

**PRIORITIES FOR ANY RESET NEGOTIATIONS IN 2025 TAKING PLACE AFTER THE LEADERS' SUMMIT IN THE SPRING:**

1. Negotiate a deep veterinary or animal origin and plant product (SPS) agreement with the EU. This must either reduce the complexity of, or preferably eliminate, the need for Export Health Certificates and associated checks on agri-food imports and exports between GB and the EU.
2. Agree a critical imports and supply chains accord between the UK and the EU.
3. Negotiate a supplementary mutual recognition agreement on conformity assessment and markings of industrial, electrical and electronic goods.
4. Remove the requirement to make safety and security declarations on goods movements in both directions from GB and 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. Produce a comprehensive Youth Mobility scheme between the UK and EU, covering school visits and exchanges, and the ability to work for young people, under time-limited visas.

7. Negotiate the UK re-joining the Pan-Euro-Mediterranean (PEM) Convention, to provide additional supply chain flexibility. This new agreement should permit the PEM rules on cumulation on rules of origin to sit parallel to those within the TCA. This would provide firms with choice of preferences without requiring amendment of the TCA rules of origin.
8. 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/EU battery sourcing, as required by the TCA rules of origin.
9. Reach an agreement on VAT cooperation and data sharing with the EU to 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.
10. 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 qualifications.
11. Ensure the Emissions Trading Schemes of the UK and the EU are formally linked by an agreement. Develop bridging mechanisms, where required, between January 2026 and the date such an agreement enters into force. Linkage could be achieved through the legal basis provided for in the TCA. This would mean CBAM would not apply on affected goods moving between the UK and EU. It would provide certainty to boost investment potential in the European neighbourhood for green technologies and energy, and avoid new, unnecessary barriers to trade, including in Northern Ireland.
12. Extend the scope of the energy market access provisions, due to expire in mid-2026, to have effect permanently. This would facilitate energy security and investment continuity, across key cross-border energy supply and trading sectors.
13. Develop a closer regulatory policy partnership to ensure better co-ordination between the EU and UK across key sectors. Businesses must not face new trade barriers through passive regulatory divergence, without appropriate scrutiny and the ability to have their voices heard by policymakers.
14. Ensure the UK takes policy and legislative measures to make the strongest case for renewal of the EU's data adequacy decision in respect of the UK in 2025. This is needed so that data can continue to flow seamlessly between both markets.

## Medium Term

1. 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. This should be consistently applied across all 27 EU member states and in the UK. Joint guidance should be produced which is clear, practical, and accessible for business in both the EU and UK.
2. Ensure the trusted trader arrangements, introduced from 2024 for inbound Great Britain border control of goods, are as open and usable as possible by importers of all sizes, and their suppliers. This should keep compliance burdens, on animal and plant product controls, light touch.
3. UK should build upon the Product Regulation and Metrology Bill to facilitate alignment of UK regulation with relevant primary, secondary and tertiary EU decisions in the traded goods sectors. New UK regulations or decisions not to regulate should be evaluated to check whether they increase net trade costs for importers and exporters in the economic sectors concerned.
4. Boost capacity within the UK government, particularly the Department for Business and Trade, the Cabinet Office and across other Departments to comprehensively evaluate the impact on UK economic sectors of future passive regulatory divergence with the EU.



## Longer-Term

1. Consider the balance between reservations and market access for services. This should take into account 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 cooperation 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. Look afresh at whether adjustments to certain product-specific rules of origin would be of mutual benefit to both the UK and the EU; for example in pan-European supply and sourcing chains.
5. 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.
6. Broaden the categories for cross-border labour mobility and increase the qualifying days in each six-month period.
7. Develop deeper regulatory cooperation on conformity assessment, chemicals and technical barriers to trade. Where strong economic and business arguments exist then trade volumes can be increased, and regulatory compliance costs lowered.
8. 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 6

# CONCLUSIONS



**Four 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 burden involved.**

Trade with the EU accounts for 42% 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.

This should provide deep pause for thought by decision makers on both sides of the Channel. Dissatisfaction about what is not in the TCA has remained strongly felt among businesses. Businesses in many sectors have expressed frustration with the growing list of non-tariff trade barriers adding to their costs. They have concluded this is not what 'free trade' is meant to look like.

The real experiences of exporting companies we have presented here must lead to a broader vision of how the TCA can be made to work more effectively. Firms want to see action on customs, energy, business mobility, and VAT. This would help generate more economic growth and tax revenues, needed by the UK and EU alike. We have offered a range of policy options, which could be adopted both before, and subsequent to, the review of the TCA's operation in 2026. They will be particularly relevant to any reset negotiations taking place in 2025 following the Leaders' Summit in the spring.

We hope the UK government, EU member states and European Commission will listen carefully to these ideas. They can ensure our trade and economic relationship can be an engine for reinvigorated growth, exports, supply chains, and competitiveness across our continent.



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