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Fixing Brexit: A New Agenda for a New Partnership With the European Union

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Our Future of Britain project seeks to reinvigorate progressive politics to meet the challenges the country faces in the decades ahead. Our experts and thought leaders are setting out a bold, optimistic policy agenda across six pillars: Prosperity, Transformative Technology, Net Zero, Community, Public Services and Britain in the World.

Executive Summary

This paper outlines a new policy agenda for the restoring of a better functioning and strategic partnership between the United Kingdom and European Union.

Brexit, in its current form, is not working. Any British government, present or future, will need to confront post-Brexit challenges.

In its current form, the post-Brexit relationship with the EU is not working. Practical and structural problems with the agreements negotiated by Boris Johnson's government – not only the Northern Ireland Protocol, but also the Trade and Cooperation Agreement (TCA) – mean that any present or future British government will come under pressure both from the business community and public to confront these challenges and fix them.

At the same time, the British public's views are beginning to shift. According to recent polling by the Tony Blair Institute, a substantial majority of Britons, including Leave voters, think the post-Brexit relationship with the EU is functioning badly while nearly two-thirds are in favour of the UK forging closer future ties with the EU. As a consequence, the UK's political leaders can no longer hide from Brexit – they need to openly acknowledge its consequences and set out a plan to fix them.

We need a new debate about how to fix Brexit.

These may not be tectonic shifts in the Brexit debate, but they reveal that the room for the ideology that has dominated the debate since the 2016 referendum is dwindling. Instead, there is a growing political space for pragmatism that can define new terms for the debate about the type of relationship with the EU that would work better.

The terms of this new debate should start by recognising the following four facts:

- The current post-Brexit relationship with the EU is not sustainable. It is damaging the UK's economy, and causing instability in Northern Ireland and political friction with the EU.

- The government must focus on finding ways to improve upon the current Brexit deal. However, taking the UK back into the European single market just yet – without clear majority support for this – would divide the British public further.
- Entirely frictionless trade, in this type of relationship, is not possible, but there are improvements that can be achieved through carefully negotiated arrangements and sensible domestic-policy choices to substantially reduce friction.
- It is in the interests of both the UK and EU to recognise, particularly with the Russia’s invasion of Ukraine in mind, that there are strong shared interests and values, and therefore a new and better relationship is in our mutual interest.

Improving the current relationship with the EU requires a carefully calibrated policy plan.

What any present or future British government needs, therefore, is a considered plan on how to approach the task at hand and what the UK can offer to the EU to get a better deal.

Our proposal is a sequenced package of solutions that begins with the UK investing substantive political capital into repairing trust with Brussels and other EU capitals; then developing a clear and coherent internal policy and strategy on Europe; and culminating in efforts to revisit aspects of the post-Brexit agreements that are not functioning well or are not in the UK’s interests.

The first task is to **fix the trust deficit in the current relationship with the EU** and restore mutual confidence. This can include:

- **Rapidly agreeing a package of confidence-building measures with the EU**, focused on tackling the practical problems facing citizens and businesses on both sides of the Channel.
- **Sorting out the Northern Ireland Protocol**, based on a UK-wide regulatory agreement on food and animal-health standards as well as a more enhanced role for Northern Ireland’s elected representatives.
- **Committing to high standards on food, labour and the environment through domestic legislation**, offering reassurances to the EU that the UK does not intend radically to deregulate its economy while unlocking the negotiating space for more lasting improvements to the post-Brexit Trade and Cooperation Agreement (TCA).

The second task is to **develop a clear and coherent domestic Europe strategy** – essentially, a new modus operandi for engaging with the EU, its institutions and its regulatory and legislative system. This can include:

- **Creating a domestic regulatory strategy to engage with the EU and enable UK ministers to align with EU rules on a voluntary basis.**
- **Developing a new diplomatic strategy that treats the EU as a strategic partner and ally.**

As part of the final task, the future government should **revisit the TCA using the pre-agreed review process**, which will automatically begin in 2025. This can include:

- **Formally consulting UK businesses on post-Brexit arrangements to develop policy.**
- **Deepening existing arrangements to reduce trade barriers in goods, services, mobility and digital trade.**
- **Developing a new security partnership to advance cooperation on law enforcement, criminal justice and wider issues**, such as tackling illegal migration.
- **Building a new strategic pillar within the TCA to advance cooperation in areas of shared interest**, such as foreign policy, external security and defence, and issues of cross-border regulation in technology and financial services.

Any UK government will have to confront the unresolved questions of Brexit whether it likes or it not. Only a government that is prepared for this task with a plan in hand will succeed in finding a new steady footing with the EU.

It is in the interest of the country that the current government should strive for a healthier relationship with the EU. But putting in place such a plan might ultimately be the task of a future Labour government.

Figure 1 – The summary of our recommended approach for Fixing Brexit

Tasks	Priorities
Restore trust with the EU	<ul style="list-style-type: none">• Rapidly agree a package of confidence-building measures with the EU.• Sort out the Northern Ireland Protocol.• Commit to high standards on food, labour and the environment through domestic legislation.
Develop a new domestic Europe strategy	<ul style="list-style-type: none">• Create a domestic regulatory strategy to engage with the EU and enable UK ministers to align on a voluntary basis.• Develop a diplomatic strategy treating the EU as a strategic partner and ally.
Revisit the post-Brexit Trade and Cooperation Agreement (TCA)	<ul style="list-style-type: none">• Develop policy by formally consulting UK business on post-Brexit arrangements.• Deepen the existing arrangements to reduce trade barriers.• Develop a new security partnership to advance cooperation on law enforcement, criminal justice and wider issues.• Build a strategic pillar to advance cooperation in areas of shared interest.

Introduction

Brexit: An Unfinished Project

After years of intense political disagreements, Brexit is now “done” at least in one sense. In January 2020, the UK left the EU, its political and economic institutions, and its decision-making structures. The country no longer adopts European rules, has a seat at the table in Brussels where 27 states make common decisions or plays an active role in shaping the European project. This is the undeniable practical and legal reality for the country today.

Yet, while the UK has officially left the EU, Brexit remains unfinished in other ways. First, it is increasingly clear that Brexit, in the form negotiated by Boris Johnson’s government, is not working. New barriers are visibly damaging trade with the UK’s closest economic partner, the complex arrangement to maintain Northern Ireland’s unique circumstances remains contentious and political relations with Europe’s leaders and institutions continue to be based on mistrust and mutual misunderstanding. A recent poll conducted on behalf of the Tony Blair Institute shows that a substantial majority (59 per cent) of the British public, including more than a third of Leave voters, think that Brexit has worsened the UK’s economy.¹ When asked about whether they considered Brexit to be “done”, most of the public did not, including, significantly, a third of former Leave voters. This suggests the public is now understanding the consequences of Brexit more clearly than before.

Second, while the process of leaving the EU may be complete, the new post-Brexit relationship is not yet set in stone. It is true that under the Johnson government, the UK left the EU with a negotiated Withdrawal Agreement that included an arrangement – the Northern Ireland protocol – to avoid a hard border on the island of Ireland as well as the new TCA, which governs post-Brexit trade with the EU. Yet it is becoming evident that these agreements fail to provide a stable basis for the UK’s long-term relations with the EU. The Northern Ireland Protocol avoids a hard Irish border, but continues to divide communities in Northern Ireland. If the protocol is to last, members of the Northern Irish Assembly will need to continuously approve the arrangement every four to eight years. Similarly, the TCA is subject to a review every five years and so could be revisited in the future.

Even in the absence of public interest in the issue, these automatic procedures will put the question of the UK’s post-Brexit relations with the EU back on the political agenda, in turn prompting a debate about the extent to which the UK should seek to revisit the agreements negotiated back in 2019 and 2020.

A New Debate about Britain's Future Relationship with the EU

In debating the questions that Brexit has opened up but not yet resolved, there is an understandable temptation on both sides of the political spectrum to slip into well-established narratives. Should the UK rejoin the EU or stay outside the union? Should it stay inside the single market or out? Should it accept the rules over which it has no say in return for lower business costs or defend the purist idea of “sovereignty” above all else?

The British public does not have definitive views in response to these questions. While the latest Brexit polls suggest dwindling support for staying outside the EU, including one that shows 57 per cent of people would vote to join the EU,² a more nuanced picture emerges when the public is asked to choose between a wider range of options. In a recent survey of public attitudes towards Brexit commissioned by the Institute, we found that more than two-thirds of voters think the UK should be in a closer relationship with the EU over the medium term. Only a third are currently in favour of going back into the EU or single market.³

What emerges is a picture in which the clear majority of voters acknowledge both the extensive and negative consequences of Brexit while supporting a closer relationship with the EU. However, this still falls short of majority support for either rejoining the EU or single market. So just as we must accept that Brexit is the reality, we must also accept that the parameters of the public debate on the UK's post-Brexit relationship with the EU needs to change.

In which case, what should the new parameters be?

The debate must start by recognising two undeniable facts: first, the decision to leave the EU has had significant costs for the UK economy. Second, forging a more functional relationship with the EU should be an objective of the UK government because not only is it in the interests of the country but also it is supported by the majority of the public. This means the debate should move on to what this new relationship with the EU could look like; in which areas of cooperation the public supports closer ties with the EU; and what the most viable political path to getting to a better relationship could be.

Who Leads the New Debate About Europe?

Faced with this new reality, the task for the UK's political leaders becomes twofold: to fix the problems that Brexit is causing for citizens and businesses, and to restore a more balanced and better functioning relationship with the EU.

Who is best placed to deliver on this task? Our polling data has suggested that the 2019 intake of Conservatives have little political room for manoeuvre when it comes to radically diverging from the type

of Brexit policy they have pursued to date because the preferences of their voters closely mirror those of 2016 Leave voters. However, a large majority of progressive voters and about a third of Leave voters would be in favour of improving the existing relationship with the EU, offering an opportunity for parties in Britain's political centre ground to call for a different approach to rebuilding the relationship with the EU.

Ultimately, it will be up to moderates in the centre ground to offer a viable plan both for managing the practical consequences of remaining outside the EU – from addressing trade barriers to settling the dispute over Northern Ireland – and working with the EU to find a more balanced relationship that works for both parties. Theirs will be the job of finding a new place for Britain within Europe.

While the objective of this paper is to make the case for why a more balanced post-Brexit relationship with the EU is both necessary and desirable, it is also to offer a policy agenda for those in the British political centre ground who want an improved relationship with the EU, but currently lack a coherent plan for striking better relations.

This paper is organised in two sections. In the next chapter, we assess the flaws of the current post-Brexit arrangements and make a case for revisiting them. And then we set out what a different relationship could look like and the choices it creates for a future British government.

What Needs to Be Fixed

In this chapter, we summarise the consequences of the post-Brexit arrangements on the three areas of trade and economic cooperation, Northern Ireland and political cooperation, and outline the problems that need to be addressed in the future.

We argue that Brexit cannot be fixed as it stands because there are three structural challenges destabilising post-Brexit relations with the EU.

- An unbalanced and shallow trade agreement that is failing to address the UK's economic interests.
- An unstable arrangement for Northern Ireland that is contributing to political instability in the region.
- An uneasy political relationship with the EU that is preventing constructive cooperation with the union of 27 states in areas of shared interest.

Trade and Economic Relationship

Having left the single market and customs union, the UK's post-Brexit trading relationship with the EU is now governed by the TCA, which came into effect in January 2021, having been negotiated by the Johnson government.

Where Are We Now?

This agreement sets up a framework for dealing with post-Brexit trade issues and other areas of cooperation. It is a “zero-tariff-zero-quota” agreement that allows for goods to be traded between Britain and the EU without tariffs, but it does little to help businesses with the non-tariff barriers they face when trading goods and services. Businesses now must comply with the EU's regulatory requirements and customs rules. In some cases, they need to pay a tariff due to the rules-of-origin requirements on exports. Access to the EU's services market is now severely restricted for UK firms, with most businesses having had to set up subsidiaries in the EU to continue trading.

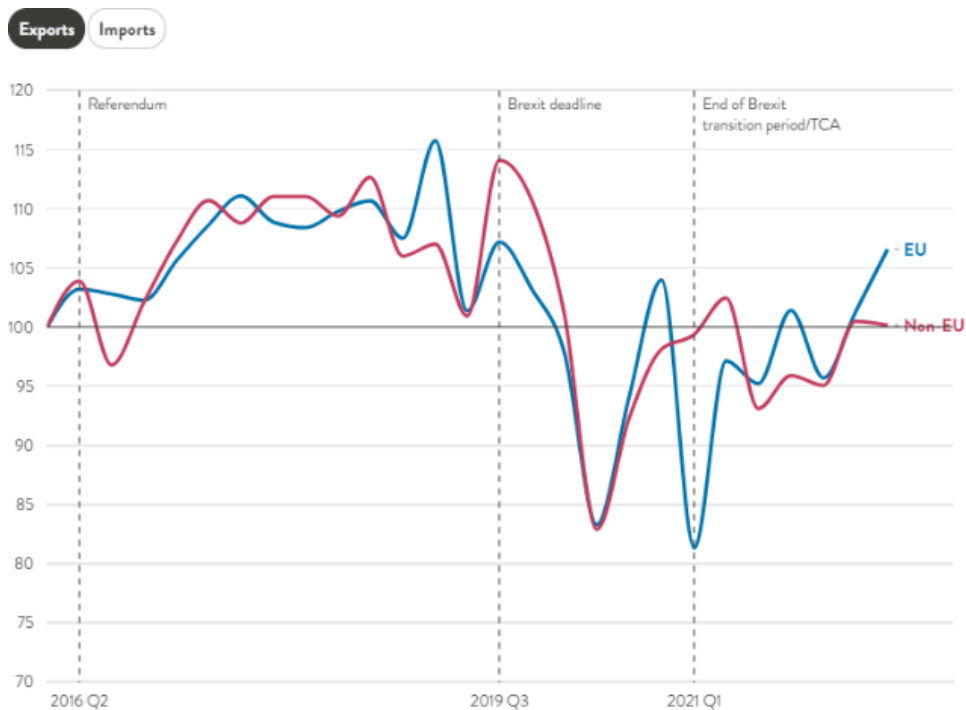
The decision to leave the single market appears to have had a significant, adverse impact on economic output, investment, trade and labour markets. The UK's Office for Budget Responsibility (OBR) estimates that trade intensity will be 15 per cent lower in the long run than had we remained in the EU.⁴ This is consistent with other estimates, such as analysis by the Centre for European Reform, which claims the UK's GDP is about 5.2 per cent lower, investment 13.7 per cent lower and goods trade 13.6

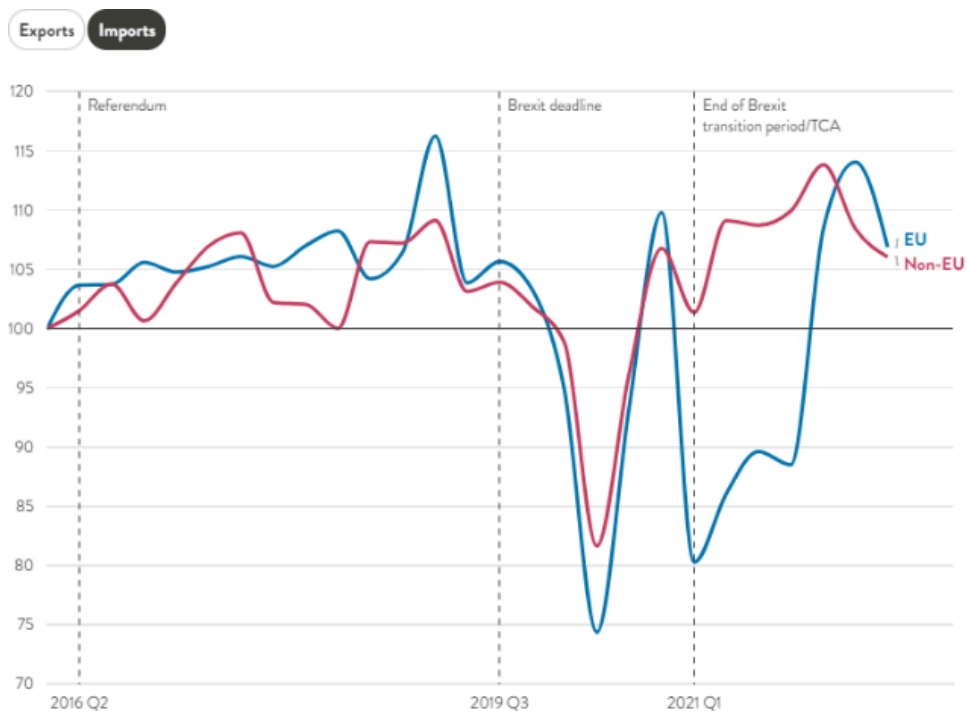
per cent lower compared with a “doppelgänger UK”, derived from the performance of similar countries.⁵ Another recent study by Janez Kren and Martina Lawless, published in October 2022, found that Brexit has reduced trade in both directions, with EU exports falling by 20 per cent and imports by 15 per cent compared with a no-Brexit scenario.⁶

Emerging empirical evidence broadly corroborates these estimates, as the new post-Brexit arrangements have had a considerable impact on the UK’s overall trade performance.

Trade in goods with the EU fell significantly directly after the Brexit-transition period ended, with UK imports from the EU dropping by approximately 25 per cent more than UK imports from the rest of the world, which persisted throughout 2021.⁷ The TCA had a greater effect on imports than exports in 2021. Trade flows have now largely recovered to pre-Brexit levels, as shown below. However, the fuller picture is yet to emerge because the UK government has delayed the introduction of most custom checks on EU imports, meaning the full scale of trade barriers and costs is yet to be seen. In the meantime, this has also put UK businesses at a competitive disadvantage compared with EU ones.

Figure 2 – Trade in goods between the UK and EU was hit sharply by new trading arrangements, but has largely recovered to pre-Brexit levels



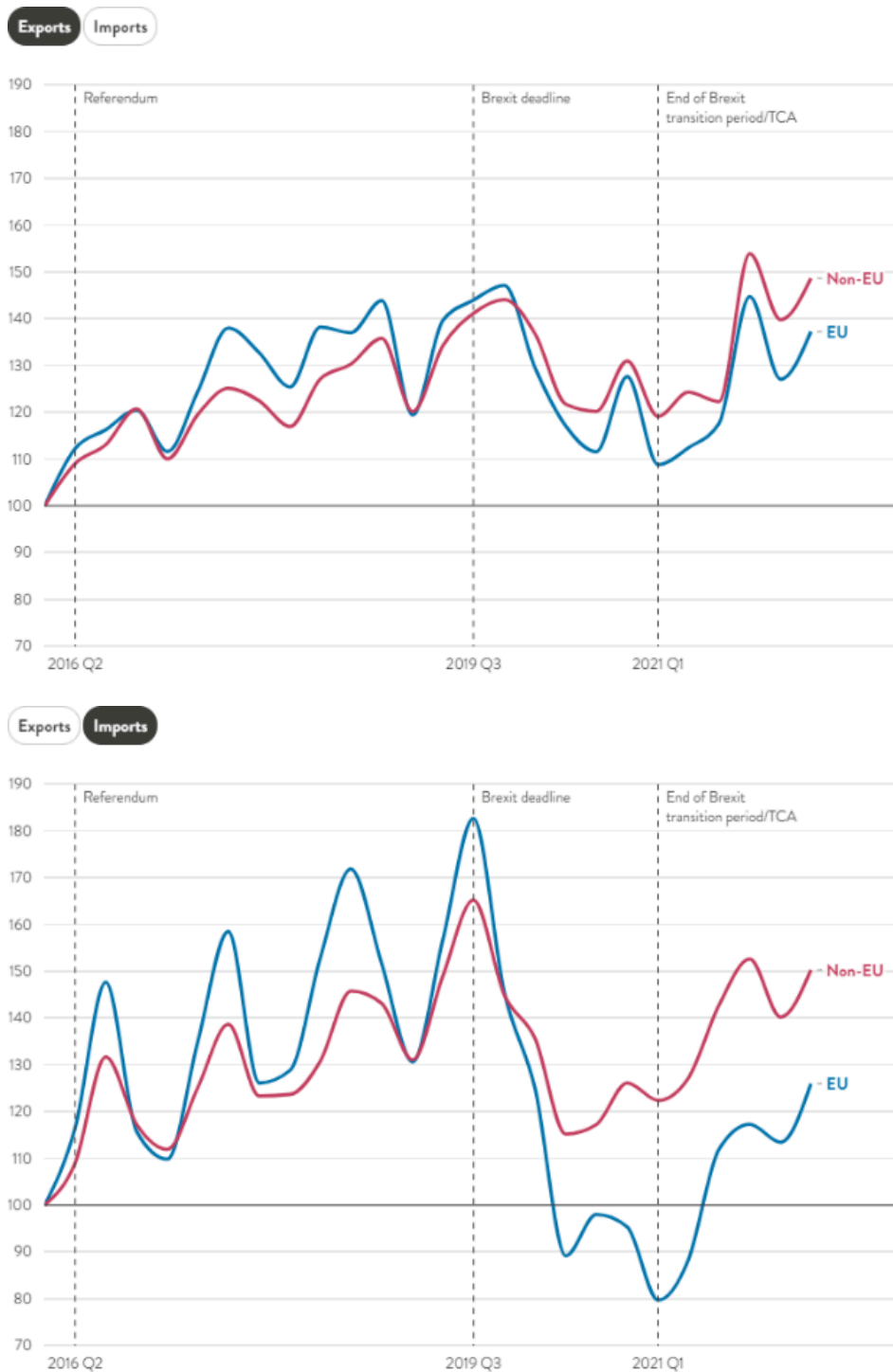


Source: TBI analysis of ONS data (Note: Goods exports from, and imports to, the UK, indexed 2016 Q1 = 100)

Looking beneath the headline figures, the relative stability in UK exports to the EU masks a steep decline in the number of trading relationships, particularly among smaller UK businesses. Recent evidence shows the new arrangements have led to an extraordinary fall of approximately 30 per cent in the number of export relationships with the EU relative to non-EU countries, and a smaller drop in the relative number of import relationships.⁸ The decline in export relationships appears to be driven by the exit of low-value relationships from trade. As the new arrangements have increased the fixed costs of exporting to the EU, this has caused smaller exporters to leave EU markets, without severely hampering the exports of large firms.

Similar to the goods trade, imports of services from the EU were hit by both Brexit and the Covid-19 pandemic, but they bounced back in the first half of 2021. Nevertheless, EU imports of services are approximately 35 per cent lower than non-EU imports, despite both having closely mirrored each other during the past five years, as Figure 3 shows. The fact that these EU imports have not recovered after Brexit suggests significant and lasting impacts of the new trading arrangements on the UK's trade performance.

Figure 3 – The UK’s imports of services from the EU have been badly hit by Brexit although exports of the same remain broadly constant

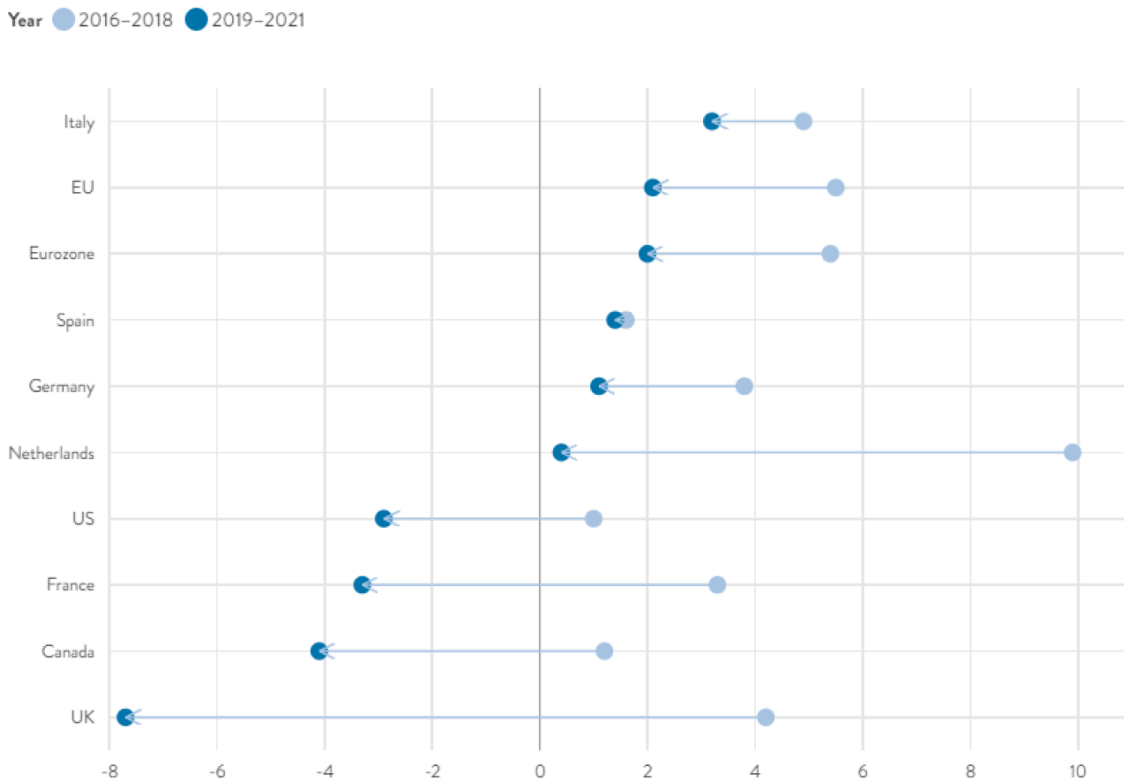


Source: TBI analysis of ONS data (Note: EU and non-EU services exports and imports, indexed 2016 Q1 = 100)

What is clear from the evidence is that the UK economy has become less open since Brexit, as shown in Figure 4. Trade openness, measured as the ratio of trade relative to GDP, has fallen by 8 percentage

points between 2019 and 2021. While the pandemic affected trade intensity across most advanced economies, the UK's drop is at least 3 percentage point lower than other comparable countries, suggesting that Brexit could be one of the main drivers.

Figure 4 – The UK's trade openness has fallen more than has been seen in other comparable economies, 2016 to 2018 compared with 2019 to 2021



Source: TBI analysis of OECD data (Note. Percentage point changes in trade-to-GDP ratio. Data for the US only available until 2020)

Furthermore, the costs to business are set to continue increasing. As the UK government implements the full scale of post-Brexit border checks, businesses will face new adjustment costs from adapting to the new arrangements. Additional costs will arise over time as the UK gradually diverges further from default EU-inherited regulations, which for now means a degree of consistency for many businesses. Ultimately, however, the extent to which these new barriers lead to higher, permanent costs will depend on the future regulatory policies the UK government makes.

Overall, the economic hit from leaving the single market has, at least in the short term, made the UK less prosperous and competitive. It appears that smaller and medium-sized businesses have been hit particularly badly by the new arrangements. This emerging evidence is consistent with projections of the economic impacts of Brexit made prior to the 2016 referendum, which estimated a reduction in trade of between 10 and 20 per cent.⁹

What Needs to Change?

If most of Brexit's adverse economic impacts can be attributed to the decision to leave the single market – which has unavoidably resulted in the creation of a new regulatory and customs barrier between the EU and the UK – what changes can be made to the TCA? How much scope is there to improve the agreement?

The first critique is that the TCA is a relatively comprehensive but substantively shallow trade agreement, falling short of the levels of market access provided by other similar agreements, including some signed by the EU in recent years. For trade in goods, the TCA contains thin provisions on technical standards and agri-food regulations (typically referred to as “sanitary and phytosanitary (SPS) measures”), and does not provide mutual recognition of conformity assessment or equivalence of SPS regulations, both of which the EU has agreed with other third countries, but not with the UK. On services, the TCA does little to provide provisions on the mutual recognition of professional qualifications and regulatory provisions for trade in financial services, or limited arrangements to facilitate the mobility of professionals in the services sector. At least in theory, there is further scope for deepening the agreed arrangements, even within the framework of a preferential trade agreement.

The second critique is that the TCA is essentially an unbalanced agreement. Most fundamentally, it favours the EU's surplus in goods with the UK but does little to help with the UK's surplus in services. It is true that free-trade agreements typically offer little coverage on services, but the TCA is specifically very shallow here and does little to help British services firms exporting to the EU. On a more practical level, there has been asymmetry in the way the UK and EU governments have applied the provisions of the TCA, with businesses claiming that different interpretations of the new arrangements among EU states have caused them practical problems, creating instability in the trading relationship between the two. Meanwhile, the British authorities have to date mostly delayed the implementation of the full scale of border requirements necessary under this agreement.

Both this shallowness and asymmetry is the consequence of the Johnson government's approach to negotiating Brexit. The objective had been to get any agreement before the end of the transition period in 2020 – as long as it secured the UK's defensive asks, namely no future alignment with EU rules and no role for EU institutions, particularly the continuing role for the Court of Justice of the EU (CJEU). This was an active policy choice, taken in full knowledge of the consequences this would have on the UK's ability to secure concessions in those areas in which the UK had “offensive” asks, such as easier regulatory requirements on goods and greater market access for services.

The result is an agreement that was better than leaving with nothing, but one which has qualitatively proved a poor deal from the perspective of facilitating deep integration that many UK and EU businesses have in each other's markets. Furthermore, it is an agreement that may have secured the UK's defensive

interest in preserving “sovereignty”, but one that has done so at the price of sacrificing most of its the offensive asks.

The upshot is there are opportunities to improve trade-related aspects of the TCA – not only in functional terms, but also to address some of the more structural deficiencies in the agreement. On the whole, this could make the agreement more ambitious and reduce some of the barriers that departure from the single market and customs union has entailed. What it will not do, however, is provide frictionless access to the single market. As long as the UK remains outside the single market and the customs union, businesses will experience some costs and not even the most ambitious preferential trade agreement can change this reality.

Northern Ireland

The second set of challenges that any future government will inherit relates to the post-Brexit situation in Northern Ireland.

Where Are We Now?

The Northern Ireland Protocol, part of the Withdrawal Agreement, governs how Northern Ireland trades with the EU and Great Britain after Brexit. The protocol prevents any checks or controls on goods moving across the island of Ireland, and Northern Ireland continues to comply with the EU’s single-market rules on goods and customs. Because the rest of the UK has left the single market and customs union, this has created a new barrier between Northern Ireland and Great Britain, meaning that goods coming into the former from the latter must be checked or have paperwork to show they comply with EU regulations.

Ever since the protocol was agreed in October 2019, there have been disagreements with the EU about how to implement the agreed arrangements. Over time, these different interpretations of the protocol have morphed into a deeper dispute between the UK government and the EU about whether the protocol should be renegotiated and, if so, how. The UK is currently bringing forward legislation to override large parts of the protocol unilaterally if the EU refuses to renegotiate it. ¹⁰

What Needs to Change?

There are two types of problems, operational and structural, with the protocol. On the operational side, the problem is that for businesses moving goods from Great Britain to Northern Ireland, trade within the UK has become more costly and administratively burdensome. This affects UK businesses in particular

that are operating in Northern Ireland but not in Ireland. So the question is whether some of those barriers can be minimised to ensure that businesses face lighter checks and controls.

The structural challenges with the protocol relate to two issues. The first is connected to concerns over the “democratic deficit” of the protocol, with Northern Ireland continuing to adopt a significant body of EU laws on which it has neither democratic representation nor voting rights.¹¹ This problem has been recognised by cross-party parliamentarians in Northern Ireland as well as in Westminster.

The second structural problem is political – the fact the protocol has become a dividing issue in Northern Irish politics. The unionist community, particularly the Democratic Unionist Party (DUP), did not support the protocol when it was agreed and argues that it threatens the territorial integrity of the UK, the 1998 Belfast (Good Friday) Agreement (GFA) and the principle that decisions should be taken on a cross-community basis. This is in direct contrast to nationalist and some non-aligned parties that support the protocol and say it upholds the GFA by ensuring an open border between Northern Ireland and Ireland. The protocol has become the reason the DUP refused to enter the power-sharing arrangements that are central to governing Northern Ireland.¹²

However, even when the current crisis is settled, the challenge is that the consent mechanism requires a majority in the Northern Ireland Assembly to approve de-facto continuing membership of the single market for goods, which risks creating a point of friction every time Northern Irish parliamentarians are asked to vote on the protocol. Unless a more stable way for the operation of the protocol is found, this will mean new political challenges every time a decision relating to it is brought before politicians in Northern Ireland.

The consequences of this uncertainty and instability are that, even though the protocol offers unique economic and investment opportunities from dual-market access, it will be difficult to realise these benefits. There is some evidence that the protocol has been economically advantageous for Northern Ireland’s firms and consumers. In 2021, Northern Ireland’s economy outperformed other parts of the UK, which may be a result of closer trading arrangements with the single market as well as labour mobility.¹³ But to fully realise the full benefits, businesses need to know the protocol provides a stable and predictable basis under which trade and investment decisions can be made.

Therefore, until the practical and political consequences that flow from the protocol are addressed through a pragmatic approach, there is a risk the agreement will continue to be a sore point, not only in the relations with the EU but also in Northern Irish politics and society. A future government will need to address this set of challenges.

Political Relationship

Where Are We Now?

Partly as a result of the acrimonious withdrawal process and partly because of the ongoing tensions over the Northern Ireland Protocol, the post-Brexit political relationship with the EU has been characterised by mistrust and a lack of cooperation. The UK has accused the other side of intransigence in dealing with the problems of Northern Ireland; the EU, on the other hand, has been distrustful about the UK not following through on the commitments agreed in the Withdrawal Agreement. Additionally, it has been suspicious about efforts to remove EU-inherited laws from UK law and concerned about the risks of this putting EU firms at a disadvantage when trading with the UK.

This atmosphere of suspicion has hindered cooperation on positive agendas, that is areas in which the two sides have strong shared interests. For example, it is preventing the EU from agreeing the UK's accession to the EU's research and science programmes. This is spiralling into further problems, demonstrated by the UK government launching the dispute procedure, provided for within the TCA, to sue the EU over what it sees as a political decision.¹⁴ Similar problems exist in financial services where the political tensions have hindered efforts to agree and sign a memorandum of understanding to facilitate ongoing cooperation in the regulation of financial services.¹⁵ This has bled into cooperation on everyday operational issues, with reports that UK and EU officials are unable to meet at working level as a result of the ongoing political difficulties.

What Needs to Change?

Both sides need a change in attitudes towards their relationship in order to pave the way for cooperation on positive agendas. Russia's invasion of Ukraine, the most important political development since Brexit, has shown that the UK and EU can cooperate effectively when confronted with a shared threat. The two sides have worked together on coordinating military and humanitarian aid to Ukraine, sanctioning Russia and advancing defence cooperation, with the UK formally joining parts of the EU's military-mobility programme.¹⁶ The war in Ukraine has shown not only how necessary it is for the two sides to cooperate effectively after Brexit but also how much can be achieved by working together on issues of shared interest.

Extending this constructive approach requires solving ongoing political tensions, particularly over the Northern Ireland Protocol, and a significant change in political attitudes towards the post-Brexit political relationship.

Another factor hindering cooperation is the lack of formal mechanisms that would facilitate more active cooperation and regular policy dialogue on issues of shared interest, such as foreign policy, defence or

cross-border regulation. Despite all the difficulties between them, the UK and EU are close allies and strategic partners in a global arena. As geopolitical competition increases, finding more structured forms of cooperation will become ever more important to meeting common objectives.

Yet the TCA lacks a strategic forum or an instrument for the political-level dialogue that would allow leaders and officials on both sides to meet regularly and advance shared agendas proactively. Although the TCA includes an elaborate institutional structure of more than 20 specialised committees and working groups, these mechanisms are limited to the “problem-solving” of issues that occur within the agreement itself. There is little scope for discussing issues beyond the issues covered under the TCA.

A Path to a New Partnership With the European Union

Any present or future British government that is serious about addressing the consequences of Brexit and finding a more balanced relationship with the EU will face three tasks.

First, the government will have to focus on reviving trust between UK and EU institutions and member states. Restoring trust, which has been severely damaged after six years of acrimony, is a necessary condition to improving the overall direction of the political relationship. The second task will be to develop a new domestic approach to European policy. The third task involves revisiting the post-Brexit TCA, negotiated by the Johnson government, using the built-in review process that will automatically begin in 2025, five years after the TCA came into effect.

Task One: Restore Trust With the EU

The most immediate task facing the future UK government will be to fix the “trust deficit” in the current relationship. Restoring trust is a necessary condition not only to establish better functioning relations but also to build the necessary political will to improve aspects of the current agreement. In the absence of serious opening efforts to regain trust, any negotiating asks by the future government will have a credibility problem, hindering opportunities to pursue practical improvements in the way the post-Brexit relationship is working.

Fixing the deficit should involve three core objectives. First, it is necessary for the UK to rapidly seek an agreed package of confidence-building measures that will demonstrate the UK government’s change in attitude towards the relationship. Second, the government should focus on resolving practical problems associated with the operation of the Northern Ireland Protocol and find an arrangement that puts it on a more stable and durable footing. Finally, there must be assurances to the other side on the future direction of the UK’s regulatory model.

Taken together, these objectives should form the three elements of the trust package that the future government offers to the EU.

1. Rapidly Agree a Package of Confidence-Building Measures

As soon as it begins its term, the future UK government should enter into negotiations on a package of practical solutions that would alleviate some of the immediate impacts of Brexit on both UK and EU citizens and businesses.

The purpose of these confidence-building steps would be to develop a new atmosphere of trust in the relationship, signalling to the EU that the new UK government takes a different – and more constructive – approach to European questions that could improve post-Brexit relations between them. This package should be practical and focused on delivering concrete outcomes and may include, for example:

On the movement of individuals and professionals

- **Simplification of entry requirements for individuals.** As new border systems are being rolled out across the EU in 2023, all British travellers will be subject to the European Travel Information and Authorisation System (ETIAS) and the Entry/Exit System (EES), which require advance travel authorisation and payment of a fee to enter an EU country. In addition to the impact on individuals, this is likely to cause sustained delays and disruption because the time taken to carry out new additional checks will considerably slow down the flow of UK vehicles and passengers from and to the UK. While the UK is highly unlikely to be exempted from these new systems, the government should seek to simplify the application of specific requirements where possible, agree robust safeguards and an appeals procedure.
- **Simplification of visa processes for individuals.** The EU currently treats British citizens in line with the provisions of the Schengen Borders Code for third-country nationals. The UK should request enhanced, reciprocal, short-term visits with visa-free arrangements.
- **Simplification of business-travel requirements for the creative sectors.** Under the TCA, business travel is subject to both restrictions and exemptions, meaning that some subsectors of professionals, such as musicians, no longer have guaranteed visa and permit-free work travel across the EU. The UK should negotiate a reciprocal visa-waiver agreement to cover creative professionals.
- **Youth mobility.** As the TCA lacks any notable mobility arrangements for youth, the UK should propose a bespoke, reciprocal youth-mobility scheme with the EU to give young people the temporary benefits of living in each other's countries.

On trade and economic cooperation

- **Enhanced arrangements for SPS measures and governance as part of the Northern Ireland Protocol.** Also, see section below.
- **An agreement on VAT cooperation.** Requirements for VAT levied on imports are one of the biggest barriers to trade between Great Britain and the EU under the new trading arrangements. The TCA contained only limited references to VAT on future cooperation and information-sharing in certain circumstances. The UK should seek a VAT-facilitation agreement that would limit some of the requirements for businesses and give them more flexibility.
- **Enhanced cooperation on electricity-trading arrangements.** The UK and EU should work together to develop concrete solutions on more efficient electricity-trading arrangements, as provided for in the TCA.
- **Access to the Horizon Europe research programme.** The UK should work to be associated with

Horizon Europe in return for ongoing financial contributions to the research programme.

On political and institutional cooperation

- **Enhanced defence cooperation on the development of capabilities, including with the European Defence Agency (EDA).** The UK should offer to develop closer cooperation with EU defence programmes including through the EDA and European Defence Fund.
- **Revived engagement with EU institutions.** UK political leaders need to empower their officials to rebuild constructive engagement with and among their counterparts. There are a few successful examples of how the UK has worked with EU institutions since Brexit, for example, on the coordination of sanctions against Russia. However, this cooperation has been severely hindered, with officials sometimes barred from formal information exchange. Empowering officials to rebuild contact and to exchange information will be key to maintaining productive political-level engagement.

This non-comprehensive list aims to provide an indication of the types of measure that could be used to foster greater confidence in the mutual relationship.

2. Sort Out the Northern Ireland Protocol

The second priority is developing joint solutions to the Northern Ireland Protocol, a part of the Withdrawal Agreement that governs post-Brexit trade between Northern Ireland and the EU, and between Great Britain and Northern Ireland. It will be up to the next government to show the necessary political goodwill to fix the genuine problems the protocol presents to the people and businesses of Northern Ireland.

We suggest there are three necessary steps to resolving most of the practical problems with the protocol:

- **A UK-wide regulatory equivalence agreement on sanitary and phytosanitary (SPS) measures.** This agreement would alleviate most of the checks and controls on products of animal origin moving into Northern Ireland from Great Britain and, if it covered the whole of the UK, also barriers for GB-EU trade. Depending on what criteria are used to determine regulatory equivalence and the conditions attached to it, there are different options for this agreement. The EU has previously said that it would require ongoing alignment to EU SPS regulations and appropriate safeguards, and governance structures to agree to any regulatory equivalence of UK and EU laws for the purposes of facilitating frictionless trade.
- **Enhanced governance to manage the risk-based system between Great Britain and Northern Ireland.** Any lasting solution will require a mutually agreement system of safeguards and governance structures that allow the EU to take an evidence-informed, risk-based view of movements of goods and the associated risk. Within the system, there might be possibilities for withdrawal of equivalence

as the risk level changes over time.

- **An enhanced consultative role for Northern Ireland’s elected representatives in scrutinising EU laws that fall under the protocol.** There are opportunities to address the concerns over the “democratic deficit” of the protocol by offering Northern Ireland’s governing bodies the opportunity to be formally consulted on EU legislation that Northern Ireland is required to adopt under the protocol.

Collectively, this set of solutions could obviate the need for checks and controls on most goods moving from Great Britain to Northern Ireland, give elected Northern Irish representatives a greater say over the EU laws that continue to apply to them and put the protocol on a more stable footing. However, reaching a compromise like this depends on finding the necessary political will to confront the challenges constructively. In turn, reaching an agreement on Northern Ireland would inject confidence back into the political relationship with the EU and help kickstart cooperation in other areas.

3. Commit to High Standards on Food, Labour, Environment Through Domestic Legislation

An integral part of the trust-building strategy should be a clear commitment to maintaining high regulatory standards on food safety, labour, social rights and the environment in the domestic sphere.

Throughout the Brexit negotiations, successive UK governments emphasised the need to deregulate the economy and remove EU laws from the country’s statute book. This has resulted in the EU having serious concerns about the UK pursuing an aggressive deregulation agenda that would put EU firms at a disadvantage in the future. To prevent this, the EU had pushed for provisions within the TCA that seek to maintain a level-playing field in trade and investment between the UK and the EU.

A commitment to high standards through the introduction of UK laws would be an important signal to the EU about the future direction of the UK’s regulatory model. This is a necessary step to unlocking constructive negotiations that could lead to more beneficial trade arrangements. The refusal of the Conservative government to commit to clear regulatory standards has consistently undermined the UK’s negotiating objectives with the EU in areas such as SPS measures. It will be possible for the UK government to establish a better trade relationship, but it must first commit to maintaining high regulatory standards through domestic law. There should not be any lowering of labour laws or environmental standards, with the levels of protection maintained as equivalent to the EU.

This commitment is important not only for closer economic relations with the EU but also because high domestic standards are in the UK’s interests. As our recent polling shows,¹⁷ there is no strong public support for deregulation that would take the UK away from high standards in the future. The British public overwhelmingly supports high standards on food, labour, social rights and the environment, even if the cost is that major trade agreements can’t be struck. This suggests any deregulation agenda that reduces current protections will have extraordinarily low levels of public support.

Task Two: Develop a New Domestic Europe Strategy

The UK's future relationship with the EU depends not only on what the future government might agree with the EU, but also the choices it makes at home.

Post-Brexit, there has been a tendency within the UK government to treat Europe as any other international partner. But this is a mistake. As a result of its geographical proximity and strategic significance, Europe matters to the UK in ways that other countries do not. The failure to engage constructively with the EU, and its decisions and policy processes risks British interests being undermined. Therefore, the UK needs a clear strategy on how it engages with the EU, including how it responds to the union domestically.

Aside from restoring trust and revisiting the TCA, the final task for a future government is to develop a new clear and coherent European policy that can guide the choices the British government makes on Europe. For this, it is necessary for the UK to actively monitor EU legislative and regulatory development that may impact it; to have a strategy for responding to those developments (for example, by legislating to keep pace with EU regulations where appropriate); and to have the ability to engage effectively with EU institutions and member states on issues having an impact on the UK.

4. Develop a Domestic Regulatory Strategy to Engage With the EU and Enable UK Ministers to Align on a Voluntary Basis

The first element of a successful European policy is clarity on how to respond to current and future regulatory and legislative changes by the EU.

Although the UK is mostly under no obligation to follow future EU rules, it is a mistake to think that they and the direction in which the union's regulatory model will evolve will have no bearing on the UK. EU rules will continue to shape the UK directly, particularly through the Northern Ireland Protocol as well as the extraterritorial indirect impacts of business incentives and choices.

Any attempts by the UK government to move its laws entirely away from the EU's and its regulatory frameworks – as the current government is proposing – are eventually bound to fail. Parts of the UK, such as Scotland, will continue to adopt some EU rules; UK regulators will keep on considering the activities of their European counterparts; UK courts are likely to informally consult on similar decisions taken by their European counterparts; and UK businesses will have to comply with relevant EU standards to continue trading in the single market. The UK needs to recognise the reality in which EU rules will continue to affect the UK after Brexit. Rather than denying this, it should proactively engage with the regulatory changes of the EU.

As we showed in our previous paper on post-Brexit regulation, published in June 2021,¹⁸ the UK government should develop a clear strategy for engaging with future regulatory changes by the EU. It should decide from the outset whether it will choose to voluntarily follow specific areas of EU law in order to prevent future friction. If it does, it should be open about its choice and make it clear to relevant industries and devolved administrations. This would give businesses greater certainty about the regulatory environment, reinforce the government's commitment to minimising differences with Northern Ireland and give a clearer direction to UK diplomats in Brussels, who have found it is much harder to influence the EU from the outside than the inside.

With the decision on alignment a policy choice rather than a requirement, the future government should legislate to allow UK ministers to align with EU law where appropriate. This would require legislating to confer a “keeping pace”-type power on UK ministers, allowing them to create secondary legislation that has the effect of keeping UK law aligned with the EU's in some areas.

5. Develop a Diplomatic Strategy Treating the EU as a Strategic Partner and Ally

The final part to interacting effectively with the EU is to have a clear diplomatic strategy that allows the UK to pursue its objectives and, where appropriate, to influence the EU from the outside. Engaging with European institutions is a completely different job for a member state than it is for a third country, which the UK became after Brexit. The UK is no longer able to rely on votes and vetoes to achieve its objectives in Brussels. Nor are government ministers simply able to reach out to their European counterparts to lobby them on matters internal to the EU.

Although the UK cannot compensate for the loss of influence within the EU, its effectiveness can be improved by careful strategic planning and creativity on diplomacy. The UK government will have to shift to a strategy of focusing on influencing EU member states to achieve its political objectives rather than all EU institutions. The key will be to avoid a perception the UK is pursuing a “divide-and-rule” strategy by avoiding EU institutions and seeking to influence member states. It will also be increasingly important for the UK to work more actively with key players outside the EU – countries such as Norway and Switzerland as well as private actors – which might share similar interests to the UK.

Task Three: Revisit the EU-UK Trade and Cooperation Agreement

The final task should be revisiting the TCA that was negotiated and agreed by the Johnson government at the end of 2020.

As part of the TCA, the UK and EU have agreed to review the agreement every five years – the first due in 2025.¹⁹ The built-in review process is not unusual for international treaties, but the clause itself does

not provide much clarity on what the review process involves in practice. It will be up to the two sides to decide how expansive this process should be: there is a possibility it could be a largely technocratic exercise reviewing the implementation of the agreement or, equally, it could be used politically as a means to open new negotiations on aspects of the agreement. Whatever approach the two sides choose, this automatic process offers the future UK government the opportunity to seek changes to the agreed arrangements through a process the EU had already consented to, rather than to establish an entirely new negotiating track.

To the extent that the future UK government wishes to make changes that make material difference to the status quo, it should use the TCA review process not only to look at the implementation challenges but also to be prepared to invest the political capital into revisiting parts of the agreement that are not functioning well or need additional improvements.

It is worth noting that, in addition to the formal review process, the TCA allows for revisions to the agreement in a number of specific areas, such as fisheries, and opens the possibility of future negotiations on issues such as mutual recognition of professional qualifications, regulatory cooperation for financial services and carbon pricing.

The objective of this section is not to offer a precise blueprint for the position that should be adopted by the UK government going into this process but rather to outline what could be the desired outcomes. In our view, there are three: reducing existing and future trade barriers for goods and services; deepening an existing set of security arrangements that facilitates cooperation on security and criminal justice; and agreeing a new set of arrangements that facilitates cooperation in areas of strategic interests between the UK and EU.

6. Develop Policy by Formally Consulting UK Businesses on Post-Brexit Arrangements

The critical task – and opportunity – for the future UK government will be to take a business-friendly approach to revising the present arrangements, one that involves consulting UK businesses on the Brexit-related issues that affect them and need fixing. It is particularly surprising that, since the vote to leave the EU, the Conservative governments have not asked businesses in a formal way – through consultation – about their needs arising from any future UK-EU relationship.

It is essential the future government takes a radically different approach to engaging with business. Prior to the TCA review process, we suggest the government launches a consultation on the operation of the TCA to date and asks UK businesses about the challenges of operating in the post-Brexit trading environment as well as their proposals for the improvements that government should seek through the review process.

7. Deepen the Existing Arrangements to Reduce Trade Barriers

The TCA introduces a whole new set of trade barriers. While some of them are the inevitable consequences of the UK's decision to leave the single market, others are the result of the threadbare TCA in some areas. It is unavoidable that any option that falls short of single-market membership will involve a degree of friction – with some costs and bureaucracy. Achieving frictionless trade without participation in the same regulatory zone – the single market – is an impossible task.

However, there are opportunities to deepen existing arrangements. The UK and EU, as two advanced and closely integrated economies, should not settle for a shallow trade deal and, instead, should aim to develop the most advanced and sophisticated trade agreement fit for the needs of the modern economy – one that is focused on eliminating non-tariff regulatory barriers for goods, opening up market access in services and building a template of cooperation for other like-minded economies.

We suggest there are opportunities to revisit the TCA in the following five areas: trade in manufactured goods, trade in agri-food products, market access for services, mobility and digital trade. Below are some possible approaches in those areas.

Trade in manufactured goods to include voluntary alignment and mutual recognition of conformity assessment.

Although the TCA provides for trade without tariffs as well as quotas on all imports between the UK and EU, frictionless trade ended with the decision to leave the EU single market. Non-tariff barriers include customs checks and procedures and the need to comply with different rules and regulatory measures. However, while frictionless trade is not feasible outside the single market, there are opportunities to reduce some of the non-tariff barriers that would facilitate easier trade and reduce costs for businesses and consumers on both sides.

The feasibility of reducing these barriers depends not only on what can be negotiated with the EU, but also on what the UK government does domestically. We suggest developing a set of arrangements based on enhanced mutual recognition of conformity assessments that would cover some manufactured goods. Under this arrangement, conformity assessments that UK producers must satisfy to sell their products to the EU single market could be undertaken not only by EU bodies, but also by relevant UK bodies. While this would not eliminate all friction for businesses selling products into the single market, it would ease some of them as well as associated costs. This type of arrangement is not uncommon for countries that fall under the EU's Neighbourhood Policy, including Israel, but the EU had previously rejected this ask during the TCA negotiations with the UK.

To achieve this, the UK has to be ready to make a clearer offer and this, in our view, should be making a unilateral decision to align voluntarily with relevant EU product regulations. To determine which areas

should be subject to this approach, the government should make an informed assessment on improved market access and the obligations stemming from them to continuing voluntary alignment with EU rules. In our view, this would most likely include areas such as chemicals, product standards for electronics and consumer products, vehicles and aerospace, and veterinary medicines. For instance, there are no obvious economic reasons why the UK government should not recognise CE-marked products from the EU and align with relevant EU regulations to revert to the CE regime across the whole of the UK. There could be other areas in which it may be important for the UK to preserve regulatory autonomy, for example, in order to protect public interest. This might include medicines and medical devices. Decisions over voluntary alignment should be based on an informed cost-benefit assessment for businesses and the levels of protection required for regulatory purposes.

A commitment to voluntary alignment might, in turn, unlock an agreement with the EU on mutual recognition of conformity assessments. This would vastly simplify regulatory requirements for businesses in the sectors covered by this arrangement and reduce future costs of regulatory divergence. However, managing an arrangement like this would require a clear and coherent domestic regulatory strategy and new legislation to provide continuity with aspects of EU law that are relevant to the UK.

Additionally, the UK should also seek to restore cooperation with the relevant EU regulatory agencies in the highly regulated goods sectors and find a more active form of cooperation, for example through an observer status, with the European Chemicals Agency, the European Medicines Agency and the European Aviation Safety Authority.

Trade in agri-food based on a regulatory-equivalence agreement.

One of the biggest sources of trade friction arises with products of animal and plant origin, which are typically more highly regulated than manufactured goods. The absence of meaningful provisions on SPS in the TCA means that products of animal and plant origin are subject to health inspections at the border and onerous requirements behind the border. As is the case with manufactured goods, it is impossible to eliminate all costs without being a member of the single market. However, regulatory requirements could be reduced with meaningful mutually agreed commitments.

We suggest the priority should be to agree a comprehensive regulatory-equivalence arrangement covering the whole of the UK, including Northern Ireland. Agreeing equivalence allows both sides to mutually recognise regulations within their scope to be equivalent in their objectives and/or in their outcomes and would therefore create reduced requirements when those goods are traded and placed on the market in either the UK or EU. The criteria for determining equivalence differ in practice.

Depending on the scope of such an arrangement, it is highly likely the EU will ask for dynamic alignment with relevant EU laws and appropriate governance structures to ensure compliance, including with a role for the Court of Justice of the EU.

The exact nature of this arrangement should be subject to technical negotiations. Agreeing equivalence based on the form of continued alignment would eliminate most costs for UK businesses selling those particular goods into the single market, as well as for EU businesses selling them into the UK. As we noted above, it would also resolve most challenges with movement of goods under the Northern Ireland protocol. Equivalence is a standard provision in international trade and has been used by the EU in some of its agreements as well as by the UK in its recent free-trade agreement with Australia.²⁰

It is worth noting that the UK government had previously sought to agree equivalence with the EU, but this proved unsuccessful during negotiations on the TCA.²¹ The reason was, at least partly, the incoherence of the UK government's position as it had sought to agree equivalence of regulatory outcomes while simultaneously seeking to diverge its regulatory model from EU food standards. A workable equivalence arrangement goes hand in hand with a future legally binding commitment on maintaining high domestic standards, and a governance arrangement to ensure that equivalence can be maintained over time and reassessed when circumstances of the exporting party change.

Trade in services, to include mutual recognition of professional qualifications and regulatory cooperation on financial services.

On services, there are opportunities for the UK to agree to more ambitious arrangements by addressing the lack of binding mutual recognition of professional qualifications as well as the weak mobility provisions for professionals in services sectors. The UK should seek to find a more binding treaty-based framework for mutual recognition of qualifications, covering professions such as lawyers, accountants and architects.

Currently the TCA does little to secure market access in services. As is common with other trade deals covering services, the agreement prohibits basic restrictions, such as economic-needs tests for investors, but it does not secure cross-border rights to provide services or the freedom of establishment as was the case when the UK was part of the single market. These more restrictive arrangements are particularly hitting firms that provide cross-border services in sectors such as financial or regulated business services, including lawyers and accountants. The EU offered the UK access to its services market, roughly equivalent to that of Canada's, which means that for firms in some of the regulated-services sectors, the TCA is almost indistinguishable from having left the EU with "no deal".

Across financial services, the UK notably lacks "equivalence" decisions commonly granted by the EU to other third countries or jurisdictions that have large financial services sectors – by comparison, 22 equivalence decisions to the United States, 16 to Singapore and 14 to Switzerland.²² The TCA has a provision for future agreements on the mutual recognition of professional qualifications with specific member states, but the process is optional, piecemeal and unlikely to deliver immediate results.

There are also opportunities to formalise regulatory cooperation in services, particularly in financial services. The TCA includes extremely limited provisions on cross-border regulation in financial services. Regulatory and supervisory cooperation could be institutionalised in more permanent mechanisms that would involve consultation, cooperation and aspects of shared oversight, with clearer and defined protocols for dispute resolution at both the regulatory and government levels. Understandably, both the EU and UK will want to maintain regulatory autonomy, but both sides would ultimately benefit and this should not prevent them from developing a clearer mutual framework or a collaborative approach to managing cross-border risks and financial regulation.

Mobility, with new arrangements for workers and young people.

Mobility is critical to providing services across borders, particularly for the UK. The country is a net exporter of services and it benefits from its professionals in the services sector being able to move easily to the EU27 countries, as well as from importing workers for specific parts of its economy.

The post-Brexit mobility arrangements represent a major change in the UK's trading relationship with the EU. Free movement of people ended with Brexit. Additionally, the TCA provides only a limited regime for the movement of people, allowing short-term business travel to the EU for a total of 90 days in any six-month period, although this is subject to a multitude of national restrictions and exceptions. Nor does the TCA make any provisions for visa-free travel, merely allowing short-term, visa-free visits based on the domestic regimes of countries.

Building on the package of confidence-building measures, the priority should be to develop a new mobility framework to enable UK and EU citizens to continue to travel to each other's territories and for business professionals to provide services. The UK and EU should also develop new arrangements for young people seeking seasonal work experience as well as for professional-services providers that rely on agency workers. Finally, there is a need to improve rights for family members.

Digital trade to be stabilised and follow a treaty-based approach.

The TCA contains a digital-trade chapter that provides extensive liberalisation beyond comparable free-trade agreements. However, the most important aspect of digital trade – the cross-border exchange of data – is not included in the TCA. Personal-data transfers from the EU to third countries are governed by a unilateral “adequacy” decision confirming that a third country provides a comparable level of data protection to that enshrined in EU law. This allows for cross-border transfers of personal data without additional safeguards. The UK has been granted a temporary data-adequacy decision by the EU, which is expected to last until June 2025 at the least. The European Commission will review this decision in 2024 and decide whether it should be extended for another four years.

The problem with the current arrangement is its lack of stability. If the political relationship with the EU were to deteriorate further, data adequacy could be removed by the EU, creating enormous problems

for businesses. Furthermore, since data policy is an evolving area within the EU and globally, the increasing divergence between the UK, EU and US on data flows could give rise to new policy dilemmas. The UK should therefore seek a new agreement with the EU that builds on standard adequacy, but which would provide a more stable and treaty-based approach providing greater certainty and stability to businesses.

8. Develop a New Security Partnership to Advance Cooperation on Law Enforcement, Criminal Justice and Wider Issues

Beyond trade, it is important for the UK to restore a closer security partnership with the EU.

Arrangements in the TCA maintain some level of cooperation – across data-sharing, and policing and judicial cooperation – and include a new extradition agreement that takes the place of the European arrest warrant. The two sides also continue sharing passenger-name record data while the UK has access to EU databases covering fingerprints, DNA and criminal records. All these play an important part in the relationship between UK law-enforcement agencies and their European counterparts.

Despite this continuing cooperation on law enforcement and security, the UK has significantly reduced access to EU security databases, particularly the second-generation Schengen Information System (SIS II), which provides access to real-time data on persons and objects of interest, including wanted and missing persons. Another problem is the degree of instability in the current arrangements because aspects of cooperation could be suspended by either side. Finally, there is a wider problem arising from the lack of provisions covering civil judicial cooperation because the UK no longer participates in the Lugano Convention.

There are strong reasons why the future government should improve these arrangements – not least to protect operational capabilities that keep people safe and to find a more stable basis for ongoing cooperation. The priority should be to advance practical cooperation to facilitate the swift conviction of criminals, and to share real-time information on criminals, missing persons and suspected terrorists. These arrangements would likely require the UK rejoining some of the EU's security databases, such as SIS II, and affiliating more formally with European agencies, such as Europol and Eurojust. However, the UK government could offer that these arrangements be underpinned by robust safeguards, data protection and governance.

The UK also needs to build a common “whole-of-route” approach to tackling the causes of illegal migration and managing asylum seekers. The objective should be to agree a legal framework that would allow the UK to return asylum seekers to safe transit countries and to reinforce enforcement against traffickers.

Above all else, it is important this new security partnership is dynamic and evolves in response to emerging threats and technological change. This should include mechanisms for the UK and EU to

engage in a common assessment on the shared security context, and for the UK to be prepared to cooperate on future versions of EU security tools and engage in strategic dialogue with the EU on new policy.

9. Build a Strategic Pillar to Advance Cooperation in Areas of Shared Interest

The UK and EU share global values and interests, with the Russian invasion of Ukraine showing the importance of close cooperation between two close partners. However, the present arrangements sparsely cover bilateral cooperation in areas of shared interests. At present, it takes place on an ad-hoc and largely informal basis. Across areas where the UK and EU have shared interests, there are few formal mechanisms allowing for the exchange of information, and the coordination of policies and operational capabilities. The TCA is very unusual in this respect; for example, the EU has more enhanced partnership agreements with countries such as Australia and New Zealand. It is in the interest of both sides to build up enhanced cooperation in areas of shared interest.

The final priority should therefore be to build a new strategic pillar within the revised TCA, which allows the UK and EU to advance bilateral cooperation in areas of shared interests. There are two elements to this objective: one is developing new methods of engagement and cooperation that allow the two sides to advance the shared agenda; the other is being strategic about the areas in which there is mutual interest in enhancing cooperation.

With respect to the forms of engagement, it is clear that the strategic pillar would require more enhanced forms of institutional cooperation, including:

- **A strategic forum.** The UK should propose the development of a new strategic pillar within the revised TCA, which would become a political-level strategic forum for the UK and the EU's 27 political leaders. The purposes of the forum would not be to deal with the implementation issues of the agreement, but to advance "positive agendas" between the two sides to enhance their position in the world.
- **Mechanisms for consultation and regular dialogue.** The political level should be complemented with mechanisms for more formalised cooperation and regular dialogue across individual pillars of cooperation.

In addition, the UK and the EU should agree to develop more policy dialogue in the following areas:

- **Foreign policy and sanctions.** The UK and EU should develop new arrangements for coordination on foreign-policy issues. This should include a consultation mechanism across all aspects of foreign policy, with regular dialogue between officials and the informal participation of the UK in EU discussions where there would be mutual benefits; information exchange and joint-intelligence sharing through established channels; and a mechanism for coordination of sanctions as well as a joint taskforce to prevent sanctions evasion.

- **External security and defence.** There is a strong case for the creation of new arrangements that would develop joint capabilities with the EU by offering the UK's significant intelligence, expertise and assets, while combining efforts in areas of joint interest and promoting common European values. This should include new arrangements for operational effectiveness and interoperability of the UK's and EU member states' militaries; enabling cooperation on civilian and military-crisis-management operations; and agreeing more formalised involvement in the EU's Permanent Structured Cooperation (PESCO), which builds on a recent agreement between the UK and EU on military mobility.²³ There are wider issues, such as cybersecurity, dialogue on counterterrorism and violent extremism, and health security where the two sides would benefit from closer cooperation.
- **Development and humanitarian aid.** As two important global actors, the UK and EU should have a regulatory information-exchange mechanism while seeking opportunities to pool resources to maximise their impact when it comes to development assistance and humanitarian aid.
- **Science and innovation.** Both sides should seek to agree the UK's association with the Horizon Europe research programme as well as other EU-wide ones, such as the Euratom Research and Training Programme, in return for the UK's ongoing financial contribution to these programmes. There are further opportunities to develop joint-research programmes and partnerships in areas of strategic importance, including health security, to coordinate policies and agencies, and develop regular dialogue between research and science funders on both sides.
- **Cross-border regulation of technology.** There are opportunities for the two sides to enhance their regulatory cooperation on wide-ranging issues such as technological standards, data governance, misuse of technology and competition-related questions.

Conclusion

In its current form, the post-Brexit relationship with the EU is not working. Practical and structural problems with the agreements negotiated by the Johnson government – not only the Northern Ireland Protocol, but also the post-Brexit TCA – mean that any future government will come under substantial pressure both from the business community and public to confront these challenges and fix them.

At the same time, it is becoming clear that the public's views about the consequences of Brexit are beginning to shift, with a growing majority of voters recognising the real-life challenges that are affecting their lives and the country as a whole. As a consequence, support for the current Brexit deal is waning while the appetite for practical improvements is increasing.

These may not be tectonic shifts in the Brexit debate, but they reveal that the room for the ideology that has dominated the debate since the 2016 referendum is dwindling. Instead, there is now growing political space for pragmatism that can define the new terms of the debate and develop a new vision for the type of constructive relationship that the UK desperately needs with the EU – and which is, ultimately, in the interest of both sides.

This paper has outlined one approach to improving the relationship with the EU that any future UK government could take.

The reality is, however, that asking the EU nicely for a better relationship won't suffice. The EU ultimately has its own set of interests and will agree only to substantial improvements when there is convincing rationale to do so. What the future government therefore needs is a considered plan for what it can offer to the other side and how to approach the task at hand.

This paper presents a sequenced package of solutions that begins with the future government investing political capital into repairing trust with Brussels and other EU capitals; then taking both the UK public and business community along by being clearer on the UK's internal approach to engaging with Europe through its domestic-policy choices; and culminating in efforts to revisit aspects of the post-Brexit agreements that are not functioning well or are not in the UK's interests.

What we show in the end is that fixing Brexit requires a carefully calibrated policy strategy. Any future government will have to confront the unresolved questions of Brexit whether it likes or it not. But only a government that is prepared for this task with a plan in hand will succeed in finding a new steady footing with the EU and, ultimately, in moving the country forward.

Footnotes

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