



Delivering the goods: An EU trade agenda for the next UK government

by Aslak Berg, 28 May 2024

The Labour Party's red lines will restrict its ambitions for changing the EU-UK relationship, but if it forms a government it should push Brussels for concessions, particularly on trade in goods.

The Labour Party seems likely to form a government after the British general election on July 4th. It will have a full agenda: growth is slow, public services are stretched and housing is in short supply. Brexit has not helped: estimates indicate it has lowered GDP by [as much as 5 per cent](#). Labour will not reverse the damage caused by leaving the EU, and has indeed laid out red lines for the EU-UK relationship that would prevent it from doing so. Even within its red lines, however, Labour could afford to be more ambitious on trade.

Under Keir Starmer, Labour has consistently held to three red lines: no single market membership, no customs union and no freedom of movement. These red lines would preserve UK autonomy over key policy areas such as immigration, services regulation and trade relations with third countries. For example, rejoining the customs union would make negotiating free trade agreements (FTAs) virtually impossible. It would also mean abandoning the FTAs the Conservative government struck with countries such as Australia and New Zealand, as well as membership of the regional FTA for Pacific countries, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). And there would be no guarantee of instead getting access to the FTAs the EU has negotiated with these countries – since in most cases this would involve renegotiating the agreements. [Although the economic gains from the UK's post-Brexit FTAs are small](#) – certainly a fraction of the benefits of a customs union – abandoning them so soon after having invested a great deal of political and diplomatic capital in them would invite criticism.

Similarly, single market membership without a vote on its regulations would, among other things, mean letting the EU set the rules for the City of London, which would be a difficult proposition for any UK government to accept. The UK-EU Trade and Co-operation Agreement (TCA), while quite ambitious by international standards in relation to trade in goods, [provides little extra market access for services](#). Under Labour's red lines this would not change.

However, insisting on UK autonomy has costs. No customs union means the continued existence of red tape on the border. No single market membership and no freedom of movement means that significant improvements in market access for UK services would be hard to achieve, including for the vital financial sector.

Labour has nevertheless signalled three areas where it wants improvements:

- ★ Mutual recognition of qualifications to allow regulated professions such as architects and health care professionals to practice in the EU and vice versa.
- ★ Arrangements for short-term business visitors to allow UK-based musicians and other performers to tour more easily in the EU.
- ★ A veterinary agreement to facilitate trade flows in foodstuffs.

The EU has a system of automatic mutual recognition of qualifications for a limited number of regulated professions, such as architects, nurses, pharmacists, doctors and dentists, as well as semi-automatic recognition for a number of other professions. This system has only been extended to Switzerland and the European Economic Area (EEA), because the EU directives that allow it are tied to freedom of movement.

If Labour sticks to its red lines, such an agreement would seem out of reach. However, the TCA does include a framework for professional bodies and authorities to negotiate mutual recognition of qualifications sector by sector, which is similar to frameworks the EU has included in other FTAs. The only example of these frameworks leading to mutual recognition is an [agreement with Canada for architects](#). That agreement took two years to negotiate and is semi-automatic in that architects do not need to prove their ability, but still need to go through a simplified registration process to practice. Having to negotiate sector by sector means negotiations are likely to be long and complex and might not reduce barriers to the same extent as if the UK were in the EU. But it is probably the most realistic way forward, once freedom of movement has been excluded.

When it comes to musicians and other performers touring there are three issues: some EU countries require work visas for short-term work; transporting equipment now requires expensive paperwork called carnets, with detailed lists of the equipment being brought over; and there are restrictions on the ability of UK-based hauliers to transport goods within the EU (known as cabotage). UK-based hauliers can now only make two movements within in the EU, which would limit tours to three stops.

One stumbling block to the UK and EU agreeing a short-term business visitor deal was that [the EU asked the UK not to discriminate between EU citizens based on their nationality](#). London rejected this demand, because the priority at the time was to preserve the ability to maintain an independent visa policy. But since *de facto* the UK does treat all EU member-states in the same way for visa purposes, this meant paying a real cost for having the theoretical option of discriminating between, say, Lithuanian and French citizens in the future. Agreeing to treat all EU citizens equally for visa purposes should be an easy offer for Labour to make, at no political cost.

A mutual agreement on haulier cabotage, limited to the cultural sector, could also be negotiable – though it would be a straightforward UK request for which the EU could extract a price. Far more technically difficult would be removing the need for carnets, which are based on an international convention to reduce paperwork for equipment that temporarily crosses borders. Their purpose is to

avoid having to put down refundable deposits to cover potential tax and tariffs if the equipment ends up staying. The likelihood is therefore that they are here to stay, and the focus should be on practical customs co-operation to reduce implementation costs and clarify the rules on when they are needed.

The last, and perhaps economically most significant, Labour promise is to seek a veterinary agreement. Such an agreement would alleviate or remove the need for sanitary and phytosanitary checks (SPS) for food and agricultural products, an important source of trade friction for imports to Great Britain. The UK government has only just begun to introduce border checks on food imports from the EU, having delayed taking this step several times since 2021 for fear of long delays at the border and increased prices for consumers. The estimated annual cost of these checks varies from [government estimates of £330 million, to industry estimates of closer to £3 billion](#). If industry estimates are right, this would be a large contributor to food price inflation.

Crucially, such an agreement could also remove food checks at the Irish sea border between Great Britain and Northern Ireland, since Northern Ireland continues to follow EU regulations [under the Windsor Protocol](#), to avoid a hard land border with the Republic of Ireland. An SPS agreement would therefore not only have economic benefits, it would also reduce political tensions and unionist concerns about being treated differently from Great Britain.

Although Labour has been loath to go into details on what they hope to achieve, there are not many options. Some countries like New Zealand have negotiated reduced checks, but it is a regime that the EU deems justified only for more remote partners with fewer and larger shipments of lower-risk goods. For a close partner such as the UK, the removal of checks would require full harmonisation with relevant single market rules, including a commitment to follow the EU when it changes its rules ('dynamic alignment') and a role for the European Court of Justice. Both of these points have been red lines for the UK under the Conservatives, but are not red lines for Labour. There is precedent for this kind of arrangement, based on dynamic alignment with relevant regulations, in the EU's Deep and Comprehensive Free Trade Agreements (DCFTA) with countries including Ukraine and Moldova. The DCFTAs set out pathways for partner countries to align, and thereby gradually reduce the paperwork needed for SPS checks as well as other technical barriers to trade. Since the UK starts out from near-total alignment as a former member, the practical path to removing checks should be considerably shorter than for Ukraine or Moldova.

This raises the question: if the UK can align on SPS regulation, why not on technical barriers to trade for other goods, particularly in areas where the UK has in practice shown little willingness to diverge? The EU REACH regulation on chemicals has, for example, largely been duplicated at great expense with UK REACH. The UK conformity marking UKCA is for all intents and purposes identical to the CE marking, which the UK continues to accept. The UK Medicines and Healthcare products Regulatory Agency has a special European Commission Decision Reliance Procedure that fast-tracks medicines for approval if they have already been approved in the EU.

There is a long list of sectors where the UK has been willing to increase compliance costs for technical regulations with a view to preserving the sovereign capacity to diverge, while showing no willingness or ability to do so in practice. A new UK government should undertake a mapping exercise with stakeholders to understand where it might make sense to align, or conversely if there are any sectors where the UK has a key interest in diverging on technical regulation. The success of any negotiations should not be assumed, and the EU will have its own requests. But in its approach to the EEA with Norway, Iceland and Liechtenstein, its agreements with Switzerland and the DCFTAs, the EU has shown

a willingness and ability to agree to harmonisation and commensurate improvements in market access. The DCFTAs are of particular interest since they fall within Labour's red lines, yet allow for closer alignment and fewer regulatory barriers for goods than the TCA. They could therefore serve as a model for improvements to the trade relationship, with modifications to suit EU-UK relations.

What, then about the concern that by signing up to alignment with the EU the UK will lose its sovereignty and autonomy? There may be areas where the UK will want to retain autonomy, even at the expense of higher costs for industry. But in many areas, it will make sense for the UK to make the sovereign decision to commit to comply with EU rules in exchange for market access. That is, after all, what any FTA does.

In return, the UK could seek more ways to influence EU decisions on technical regulation. For example, EEA countries do not get a vote on EU rules. What they do get is to be in the room when technical regulations are discussed at the expert level: what EFTA likes to call [decision-shaping](#). To the extent that many of these regulations are depoliticised and technical in nature, a voice in the room can be almost as important as a vote – which would often be the case in areas where the UK possesses considerable technical expertise. The UK should therefore seek decision-shaping roles in areas where it agrees to align, to help alleviate concerns about trading sovereignty for market access – both for any future alignment for the UK as a whole and for the present alignment under the Windsor Protocol for Northern Ireland.

There are other areas concerning trade in goods where the TCA could be improved. The TCA does not include a Mutual Recognition Agreement for conformity assessment, meaning that UK bodies are not allowed to certify that products conform with EU regulation and vice versa. UK companies therefore have to send their products to the EU to get tested and approved. If the UK moves toward increased alignment, this issue should be revisited to ensure that the UK can become a full participant in the EU regulatory space on a similar basis to other neighbouring countries.

Another area where the UK could seek improvement is in the rules of origin that determine the nationality of goods for the purposes of qualifying for tariff exemptions under FTAs. The UK should seek membership of the [Pan-Euro-Mediterranean Convention](#) on rules of origin, which includes most of Europe and almost all the countries around the Mediterranean. Acceding to the convention would help British exports qualify more easily for tariff exemptions under the TCA and other agreements by allowing them to incorporate input from Israel, Turkey, EFTA countries or other parties to the convention in the production process. As well as providing practical relief for British exporters, it would also be a contribution to regional economic integration.

Why should the EU agree to all of this? The UK would make no unprecedented demands – all of the above suggestions are based on EU precedent in its agreements with other neighbouring countries. What would be unique is the combination of requests, but [every EU relationship with its neighbours is unique](#) and the arrangements always have to be adapted to each country's particular circumstances. Nor do any of these suggestions necessarily need to cover areas where the EU and the UK have a more competitive relationship, such as finance. When it comes to goods in particular, the EU has a large trade surplus with the UK and further facilitating trade would help both the EU and the UK. If this is cherry-picking, it is for a shared platter and mutual benefit. The toughest challenge would be a request for decision-shaping, which so far has only been granted the EEA countries. However, just like the extent of alignment on the UK side, the extent of UK decision-shaping would be circumscribed.

Labour has listed three red lines and three areas for improvement. Taking the red lines seriously, the three

areas are a good starting point. But a Labour government should be even more ambitious on goods and not arbitrarily limit itself to a veterinary agreement to help food imports. Manufacturing sectors in which the UK has strengths, such as chemicals, pharmaceuticals and medical devices, could benefit enormously from reducing other non-tariff barriers as well. Such an agreement would not eliminate the cost of Brexit, but it could provide important relief. It would be an achievable agenda and a possible first step towards improved relations, while still respecting Labour's red lines and the Brexit vote.

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