

BUILDING BRIDGES

Enhancing the EU-UK strategic partnership



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Foreword

The inaugural EU-UK Summit on 19 May marks a turning point in the EU-UK relationship – a chance to leave the last decade behind and build a new strategic partnership based on defence, energy security and economic growth. This partnership will lead to greater prosperity for this generation and future generations.

Amid mounting geopolitical uncertainty, a strong and united Europe is more important than ever. There is no doubt the region's collective strength lies in our ability to collaborate, adapt and support each other during unprecedented times. The challenges we encounter – from rising protectionism to new security threats – require us to cooperate across borders, be clear on our shared values, and stand up for free and fair trade and the importance of multilateralism.

This report outlines strategic recommendations for the new geopolitical and economic context in which we are all now operating – from enhancing mobility and streamlining regulations, to advancing energy and climate goals and bolstering economic security. Produced in consultation with over 400 CBI members across the UK, these recommendations have been formed with the government's growth mission and its manifesto red lines front of mind.

Historically, the interconnectedness of our economies has fostered innovation, created jobs, and driven prosperity. Looking ahead, cooperation will be the cornerstone of our success, allowing us to build a future which leverages our shared values and mutual interests.

As we begin to reset the EU-UK relationship, we must commit to being ambitious and bold. Business stands ready to support government in building a strong EU-UK strategic partnership in this new world, working together to create a prosperous future which reflects that best of what the EU and UK have to offer.



Rain Newton-Smith

CEO, Confederation of British Industry



Recommendations

Firms have welcomed continued EU-UK cooperation since the EU-UK Trade and Cooperation Agreement (TCA) was signed: from trade to energy, social issues to people, ongoing engagement has served as the bedrock of our strong bilateral relationship.

However, the world has significantly changed since the UK left the EU. Given the unpredictability of the wider geopolitical environment, now is an opportune time for both governments to take stock of their continued economic and geopolitical interdependence.

The following recommendations were formed in consultation with over 400 CBI members during the CBI's 2025 Q1 Regional Council and Committee round. From Northern Ireland to the South-East of England, and from financial services firms to automotive manufacturers, these recommendations represent the broad, cross-economy view of the CBI and have been tested with our strategic Trade Association Council.

This report also closely corresponds to the recommendations published in BusinessEurope's '[EU-UK Relations – BusinessEurope Outlook](#)' paper in October 2024, to which the CBI contributed.



Summary of recommendations



Mobility

- Better enable **short-term business travel and Intra-Company Transfers** through amends to the TCA and increased Home Office resources.
- Negotiate a **Mutual Recognition of Professional Qualifications** agreement.
- Agree reciprocal **youth participation schemes**.



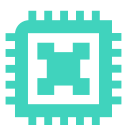
Regulation

- Secure a bespoke **Sanitary and Phytosanitary/Veterinary Agreement**.
- Pursue a strategic approach to regulation of **emerging technologies** including developing **joint roadmaps** with relevant EU counterparts.
- Cooperate further on maintaining **cross-border data flows**, including preserving the UK's EU **data adequacy** status.



Energy and climate

- Strengthen cooperation on **energy security**, including through the North Seas Energy Cooperation.
- Link the UK and EU's **Emissions Trading Systems**.
- Agree mutual exemptions for the UK and EU's **Carbon Border Adjustment Mechanisms** ahead of their full implementation in 2026 and 2027.



Defence and economic security

- Undertake **joint defence initiatives**, including R&D collaboration, on issues like **cyber security and space**.
- Establish a **Joint Supply Chain Taskforce** to secure the regional supply of materials, including Critical Minerals.
- Hold regular **strategic dialogues** to coordinate responses to **defence and economic security** issues.

Looking ahead

The first EU-UK Summit will be the beginning of a comprehensive process aimed at strengthening and redefining trade ties. Business welcomes the government's commitment to an ambitious partnership and understands these recommendations will be addressed progressively over a long-term period.

The CBI proposes the issues outlined in this report form the programme of EU-UK work for the coming year. Both governments should work together to publish roadmaps across these four priority areas, gathering insights and views from the business community. Given the wider geopolitical context, this consultation must be undertaken at pace to ensure industry is able to support with the implementation of recommendations.



Mobility

From moving staff across borders to respond to operational needs to providing employees at the start of their careers with development opportunities, ease of mobility between the UK and the EU is critical for growth. Though mobility has become an inherently politicised issue, it has a leading role to play in the story of our economy by supporting new business growth, improving firms' financial performance, and supporting the retention and development of top talent. Indeed, according to the Harvard Business Review, 72% of executives in 2024 anticipated the demand for global mobility would rise in the next three years¹.

However, since the UK left the EU, CBI members have reported increased complexity and costs when hiring and relocating staff due to new visa and work permit requirements – whether for short-term assignments or more permanent moves. Their administrative and financial burdens have also increased, as UK firms seek to navigate new immigration systems and comply with varying regulations across the 27 EU member states.

Deeper cooperation to enhance business mobility must be a priority area of focus for both governments to address labour shortages, increase competitiveness, and stimulate growth on both sides of the Channel.

1. Better enable short-term business travel and Intra-Company Transfers through amends to the TCA and increased Home Office resources

Within the remit of the TCA, both governments should seek to expand the list of permitted activities for short-term business visitors to better enable professionals to move across borders. Mobility provisions for Intra-Company Transfers within the TCA should also be improved to facilitate smoother movement of key personnel between jurisdictions. Beyond the TCA, visa processes should be streamlined by simplifying and expediting visa applications for short-term business travellers, supported by increased resources to relevant Home Office departments.

How does this impact growth? Smoother business mobility will ensure firms can remain agile and respond quickly to the needs of their business, working across international borders to deliver work. Mobility also plays an important role in increasing skills in the workforce including through secondments and the dispersion of new ideas within and between companies.

¹ **Strategic Global Mobility: Unlocking the Value of Cross-Border Assignments**

2. Negotiate a Mutual Recognition of Professional Qualifications agreement

With the UK no longer a member of the EU's Directive on mutual recognition, regulated service professionals in both jurisdictions have lost the ability to seamlessly practice across borders. The government should collaborate with the EU to establish clear paths to mutual recognition for the competitiveness of regulated professions, enabling both economies to benefit from increased movement of skilled labour.

How does this impact growth? Mutual Recognition of Professional Qualifications will not only enable professionals to practice in each jurisdiction but also enhance the international attractiveness of UK qualifications and address skills shortages in the labour market.

3. Agree reciprocal youth participation schemes

Through the UK's new Free Trade Agreements, the UK has already agreed a network of reciprocal Youth Mobility Schemes with countries such as Australia, Canada, New Zealand, and Japan. Agreeing reciprocal youth participation schemes with the EU will not only facilitate the movement of EU citizens to the UK but will ensure young people across the UK have employment opportunities on the continent.

How does this impact growth? Reciprocal youth participation schemes would enable businesses to access and develop skilled talent from both regions, offering more workplace flexibility, increasing the attractiveness of the UK to global talent and strengthening cross-border operations.



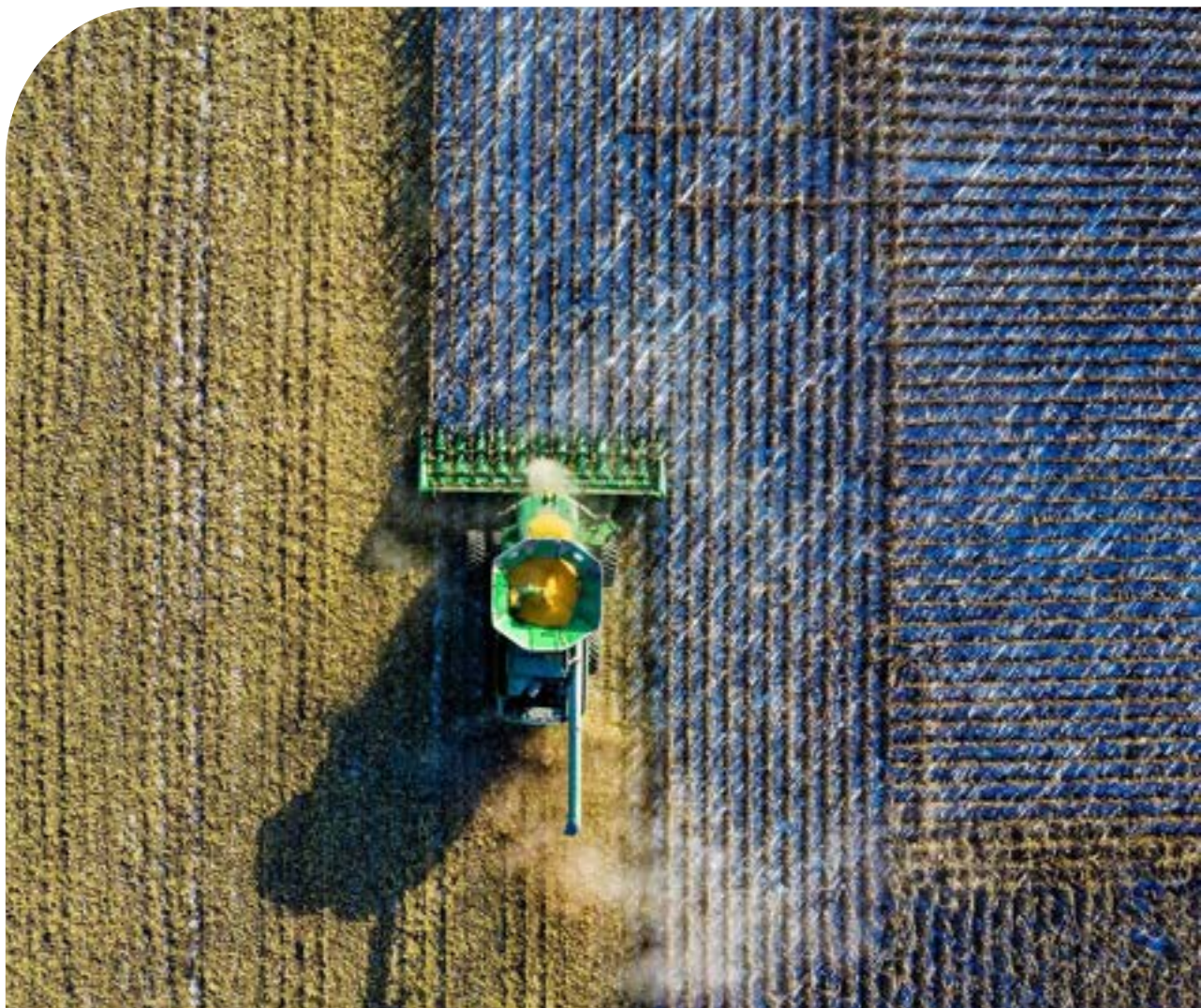
Regulation

As the UK and EU's regulatory regimes have evolved following Brexit, CBI members report increased disruption, costs, and operational challenges. Effective regulation in both economies has long fostered innovation, market stability, and consumer protection. It is therefore important that both governments cooperate more closely. Developing robust regulatory standards will minimise disruption, create an environment where businesses thrive, and boost regional competitiveness on the global stage.

4. Secure a bespoke Sanitary and Phytosanitary/Veterinary Agreement

A bespoke Sanitary and Phytosanitary (SPS)/Veterinary Agreement would support agricultural and food products to move more seamlessly across borders without compromising the UK and EU's respective high standards of food safety and animal health.

How does this impact growth? Costly inspections, delays and other barriers can be reduced or entirely removed through an SPS/Veterinary Agreement. Such an agreement will have particular economic benefits for firms in Northern Ireland, who face acute challenges in maintaining regulatory alignment across both regimes.



5. Pursue a strategic approach to regulation of emerging technologies including developing joint roadmaps with relevant EU counterparts

Businesses and research institutions see clear opportunities for collaboration on emerging technologies, from artificial intelligence to biotechnology. UK and EU researchers and innovators strongly value the UK's association to Horizon Europe, which is accelerating innovation across Europe. Building on this foundation, regulatory cooperation will help both regimes develop coherent, forward-looking approaches.

As part of this cooperation, government should seek mutual recognition of conformity assessments in key sectors to avoid duplicative testing requirements and reduce costs for firms operating across both markets. Critically, the UK should only introduce regulations that increase regulatory divergence between the UK and the EU where the competitive benefits of doing so are clear and burdens on cross-border businesses can be minimised.

How does this impact growth? Strategic collaboration on the regulation of emerging technologies would position the EU and UK as leaders in the global tech landscape, creating high skilled jobs and attracting investment and talent. Interoperable frameworks will reduce bureaucracy, increase agility, and unlock innovation and growth for firms in both jurisdictions. Joint roadmaps for regulation of emerging technology would support collaboration and economic security, informing global standards in a way that promotes growth and prosperity for business whilst taking into account broader geopolitical sensitivities.

6. Cooperate further on maintaining cross-border data flows, including preserving the UK's EU data adequacy status

Data flows are the backbone of cross-border digital services trade and support innovation in sectors like life sciences and manufacturing. As digital services trade grows, the UK and EU must maintain robust data sharing frameworks that ensure business continuity and compliance. Preserving the UK's EU data adequacy status beyond the June 2025 sunset clause must be a top priority for a strategic EU-UK partnership.

How does this impact growth? Seamless data exchange will prevent uncertainty, reduce compliance burdens, and protect cross-border operations. Deeper cooperation will enable both economies to function effectively as modern, services-based markets – attracting investment in digital infrastructure and services, creating jobs and boosting productivity.

Energy and climate

The invasion of Ukraine and the resulting energy crisis have highlighted the strategic importance of regional cooperation on energy security. Throughout the crisis, the UK has acted as a vital energy bridge to Europe, supporting energy supply stability during these challenging times. In today's volatile geopolitical environment, the EU and the UK must continue to collaborate to diversify sources, improve efficiency, and invest in renewables.

With shared waters, interconnected infrastructure, and aligned net zero ambitions, UK-EU energy cooperation can strengthen energy security and accelerate decarbonisation. By aligning policies, both parties can better manage global energy challenges, create deeper and more liquid markets, improve investment flows into renewable and low carbon technologies, and work toward an agreement covering key topics such as industrial decarbonisation and the development of low carbon technologies like nuclear, hydrogen and Carbon Capture, Utilization, and Storage (CCUS).

7. Strengthen cooperation on energy security, including through the North Seas Energy Cooperation

During the invasion of Ukraine, the UK and EU worked closely together to maintain energy security across Northern Europe, including through the framework of the TCA Specialised Committee on Energy. The UK's observer role in the North Seas Energy Cooperation (NSEC) and Memoranda of Understanding with EU member states has enabled closer cooperation across a range of clean technologies.

How does this impact growth? Multilateral fora have proven vital for fostering cooperation and infrastructure interoperability. Deeper UK engagement with NSEC is also necessary to advance strategic cooperation in other areas like CCUS and hydrogen.



8. Link the UK and EU's Emissions Trading Schemes

Though the TCA committed to 'give serious consideration to linking...respective carbon pricing systems'², progress has been slow. Both the UK's and EU's Emissions Trading Schemes (ETS) are phasing out free allowances and already support industrial decarbonisation, making this a timely opportunity to pursue linkage. In parallel, the UK must ensure sufficient support for domestic industries, mirroring the EU's Clean Industrial Deal. Moreover, linkage will demonstrate the role of effective carbon pricing and reinforce EU-UK leadership on climate at a global level.

How does this impact growth? Linkage will lower the risk of price volatility and reduced market liquidity. A linked ETS would boost efficiency, cut decarbonisation costs, and enhance competitiveness – key for both electricity markets and industrial sectors.

9. Agree mutual exemptions for the UK and EU's Carbon Border Adjustment Mechanisms ahead of their full implementation in 2026 and 2027

Carbon Border Adjustment Mechanisms (CBAMs) are key to preventing carbon leakage, but misalignment between the UK and EU risks creating significant trade frictions for firms – particularly for energy-intensive industries and cross-border electricity trade. A mutual exemption, underpinned by comparable ambitions and robust carbon pricing, would recognise the shared decarbonisation goals of both parties.

How does this impact growth? A mutual exemption would prevent new trade barriers affecting electricity imports and joint offshore grid projects in the North Sea. Alongside efforts to align carbon markets, this would reduce regulatory uncertainty, support investment, and ensure that decarbonisation policies reinforce cross-border economic cooperation.



² [Trade and Cooperation Agreement between UK and EU – CP 426](#)

Defence and economic security

Mounting geopolitical tensions, numerous economic crises, and conflict both near and far have cast a dark shadow over the stable, rules-based order of the world. Now more than ever, it is critical that the UK works closely with like-minded partners to secure peace, democracy and economic security across the region and beyond.

The EU and UK have a strong record on defence and security cooperation, from joint sanctions and intelligence sharing to cyber security and counter-terrorism dialogues. In light of the changing global environment, continued and strengthened cooperation will be critical for providing the economic stability needed for growth, ensuring the security of critical supply chains, and fostering a resilient business environment.

10. Undertake joint defence initiatives, including R&D collaboration, on issues like cyber security and space

Emerging threats are increasingly sophisticated and transnational, requiring a coordinated response to more effectively mitigate risks for businesses and citizens. Both governments should commit to fostering further collaborative research, innovation and technology initiatives, including through UK participation in Horizon Europe's security- and defence-relevant programmes, to accelerate innovation across the UK and EU.

How does this impact growth? Pooling resources and expertise will result in enhanced regional cyber defence capabilities, providing more robust protection to both economies. Working together will put the region on the front foot when it comes to countering threats.



11. Establish a Joint Supply Chain Taskforce to secure the regional supply of materials, including Critical Minerals

Disruptions to global supply chains can significantly impact businesses. Stronger EU-UK collaboration on supply chains would enhance reliability, ensuring firms and consumers can access essential goods – as demonstrated by their close cooperation during the Covid-19 pandemic to ensure the continuous supply of medical equipment and vaccines.

A Joint Supply Chain Taskforce, involving government, regulators, and the private sector, would ensure dedicated resources to address and resolve regional supply chain issues, thereby driving greater European resilience in the face of wider geopolitical uncertainty. The Taskforce could provide a space to develop joint initiatives to retain and grow shared strategic industrial capabilities, capacity and innovation, removing barriers to trade and investment which hinder this growth and resilience across Europe. Cooperation on data sharing and risk monitoring would also further support seamless trade in critical sectors.

How does this impact growth? Securing cross-regional supply chains would position the UK and EU as beacons of stability, attracting investment, boosting productivity, and driving economic growth. Industry is under immense pressure given the wider trading environment, and thus greater collaboration to increase resilience and promote prosperity are essential.

12. Hold regular strategic dialogues to coordinate responses to defence and economic security issues

From the Ministry of Defence to the Cabinet Office, cross-departmental strategic dialogues between the EU and UK are essential for coordinating regional responses to global issues. Strategic dialogues can better enable both governments to respond rapidly, share best practices, and develop comprehensive regional strategies.

How does this impact growth? From a defence perspective, strategic dialogues will help to minimise the risk of economic disruption, fostering a more stable and predictable environment in which businesses can thrive.



Northern Ireland

Northern Ireland's (NI) unique position within the EU and UK markets should enable Northern Irish businesses to benefit from a privileged status which facilitates smooth cross-border trade. However, CBI NI members report the complexities of the Windsor Framework have led to a cumulative increase in administrative burdens and costs. These pressures are expected to intensify in the coming months with changes to customs arrangements, parcel movements, and the implementation of Phase 3 food labelling requirements. Close and ongoing cooperation between the UK, the EU, and the NI Executive is essential to safeguarding peace and supporting economic prosperity on the island.

Bespoke SPS/Veterinary Agreement

Extensive border checks and paperwork for agricultural goods are creating significant friction for Northern Irish businesses. A bespoke SPS/Veterinary Agreement would align standards on animal and plant health, reduce delays, and support more predictable trade flows.

How does this impact NI's growth? Given NI's economic reliance on agriculture and agri-food sectors, such an agreement would underpin economic growth, provide regulatory clarity, and ensure high standards on public, plant and animal health issues.



ETS/CBAMs

The EU's CBAM is set to introduce new levies on goods moving from Great Britain (GB) to NI, and on Northern Irish exports to the Republic of Ireland and wider EU. These levies could total up to £200 million annually, potentially leading to higher energy costs in the Single Electricity Market³. Implementing CBAM in Northern Ireland would require amending Annex II of the Windsor Framework.

How does this impact NI's growth? Given the potential disruptions and challenges to trade flows, ETS linkage between the UK and EU is a more viable and long-term solution which would reduce regulatory burdens and protect cross-border trade.

Addressing regulatory divergence

Beyond SPS measures and CBAM, wider EU-UK regulatory divergence is creating mounting challenges for goods moving from GB to NI. Whilst a bespoke SPS/Veterinary Agreement would resolve some issues, it will not address broader regulatory barriers affecting non-agri-food goods. The UK, EU and NI Executive must work together to agree pragmatic solutions to regulatory divergence.

How does this impact NI's growth? Preserving market access and providing clarity to businesses will ensure sustainable economic growth in NI, not least through reduced administrative and bureaucratic burdens.

³ [Borderline Confusion: Carbon Border Adjustment Mechanisms in Northern Ireland - Energy UK](#)

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