Institute of Directors

IoD POLICY PAPER

The Reset and Beyond:
what businesses want from the UK-EU trading relationship



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Introduction

The Prime Minister has indicated a change in the government's approach to the EU. This changed approach includes considering a customs union, single market membership or full EU membership as relationship forms that the UK should consider with the EU.

Although these are for consideration over the longer term, they cement a gradual change in the government's position towards the EU over the past year. The UK Government's 2025 Trade Strategy set out a balanced approach to international trade, seeking to deepen relationships across both established and emerging trading partners. However, over the past year, the Government's focus has increasingly shifted towards strengthening its relationship with the EU, reflecting both the UK's economic priorities and a changing geopolitical environment.

This pivot to the EU is mirrored amongst business leaders. The EU remains the UK's largest trading partner and support for making the EU the Government's top trade priority has risen significantly over the past year. It is worth noting that at the same time, businesses report that the practical realities of trading with the EU have improved. Compared with the immediate post-Brexit period, fewer firms describe the trading environment as challenging, reflecting that businesses have adapted and that some frictions have eased.

Meanwhile, the government's EU Reset programme, including progress on different commitments, such as on Sanitary and Phytosanitary (SPS) arrangements (regulatory measures on human, animal and plant health), emissions trading and electricity trading, have built confidence.

Nevertheless, significant barriers remain, particularly around customs processes, rules of origin, regulatory requirements and business mobility, which sit, at this stage, outside the scope of the Reset agenda. This paper examines the present trading relationship between the UK and EU, and recommends practical solutions to the barriers that businesses face when trading with the EU market.



Businesses pivot to the EU

In the midst of a challenging geopolitical environment, the gravitational pull towards the EU has strengthened over the last year, both for the UK Government and for UK businesses. From a balanced approach to the UK's trading partners, as has been the strategy since Brexit, and as was outlined in the Government's 2025 trade strategy, the Government has shifted towards prioritising the UK's trading relationship with the EU.

Of the UK's major trading markets, the EU was rated the priority by the largest proportion (52%) of business leaders when polled in April this year[1]. Meanwhile, around a third (35%) of respondents felt the government should approach all trading partners equally, down from 41%. At the same time, support for prioritising the US has dropped sharply, with just 2% of business leaders identifying it as the top priority, compared to 10% in 2025.

The EU trading experience has improved, but difficulties persist

At the same time as government trade policy has increased its focus on addressing trade frictions with the EU, perceptions of the trading relationship itself has been improving. In July 2024, for those companies who did trade with the EU, IoD data showed 62% of members said that their organisation's trading experience with the EU was challenging, whilst 11% said that it was positive[2]. Jump forward to September 2026, and the view has shifted, with 39% stating that the EU trading experience was negative and 24% saying it was positive.

What is your organisation's current experience of the UK's trading relationship with the EU? (those who trade with the EU)

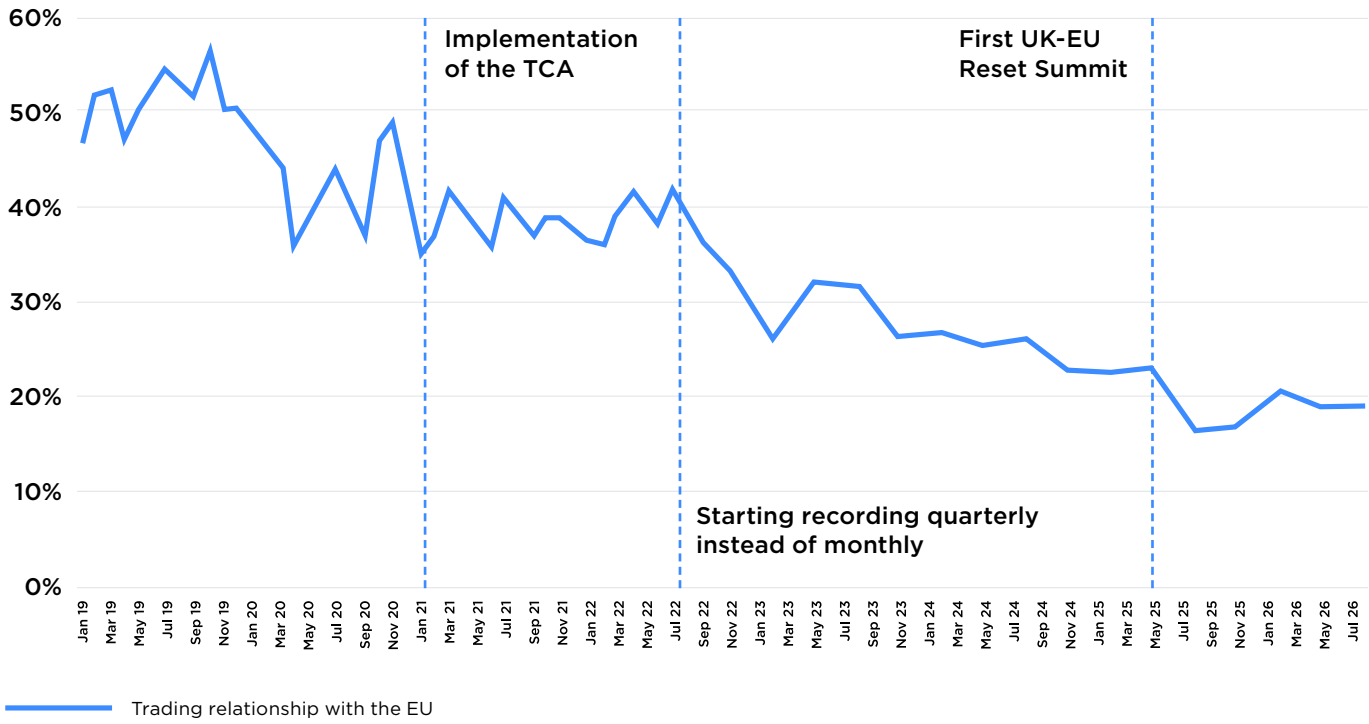
	Sep-26	July-24
Very positive	7%	4%
Positive	17%	7%
Neutral	38%	27%
Quite challenging	27%	41%
Very challenging	12%	20%
Net	**-15%**	**-51%**
Proportion of sample that trade with EU	**66%**	**73%**

Source: Policy Voices, July 2024 and September 2026

[1] IoD Policy Voice, April 2025, https://www.iod.com/resources/data/policy-voice-april-2025-trumps-tariffs-sme-debt-finance-business-connectivity-and-broadband-and-remote-and-hybrid-working/
[2] IoD Policy Voice, July 2024, https://www.iod.com/resources/data/policy-voice-july-2024-growth-capital-expensing-exporting-to-the-eu-and-beyond/

This trend of improvement in the trading experience with the EU is mirrored elsewhere in the IoD's data. A quarterly question we've included in our questionnaires since 2019 asks companies what factors are having a negative impact on their organisations. November 2023 saw 'the UK's trading relationship with the EU' drop out of the top 5.

Trading relationship with the EU



Source: IoD Policy Voice January 2019-August 2026

From business leader anecdotes, familiarity with the changed trading situation is part of the story – particularly for those trading with multiple countries. For example, one member wrote:

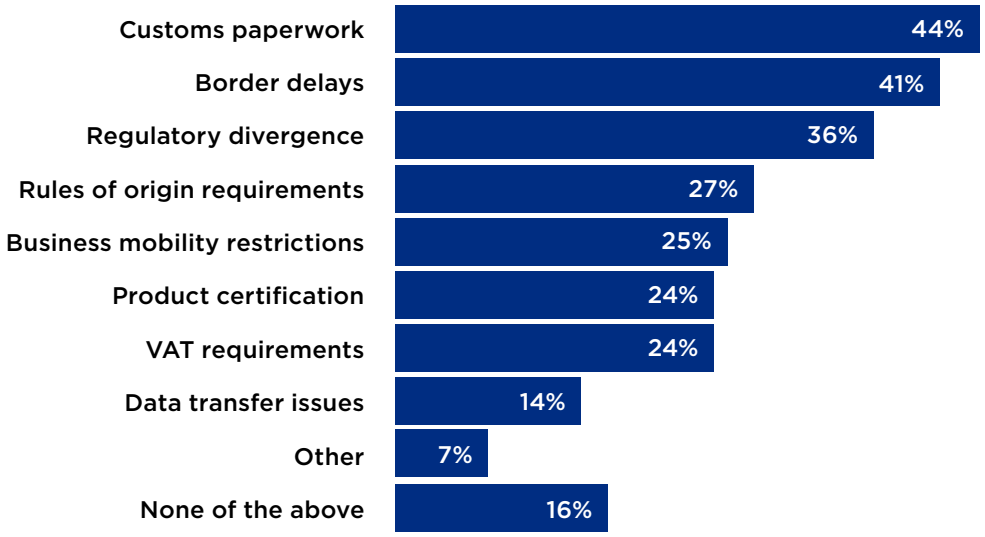
> **Our business has adapted to the situation and whilst I would prefer easier travel between the UK & EU, it is no different from any other international trade that we do now."**
>
> **South East England, Telecommunication, computer programming, consulting, computing infrastructure and other information service activities, 100-249 employees**

On the other hand, there are those firms for which cross-Channel trade was simply too difficult that have now ceased trading with the EU, and so the trading relationship has become no longer relevant.

> **We work with many small companies that ceased to export to Europe due to disproportionate certification requirements and VAT issues"**
>
> **South East England, Professional, scientific and technical activities, 2-9 employees**

For those currently trading with the EU, the primary frictions relate to cross-border goods trade, namely customs paperwork and border delays. Regulatory divergence, rules of origin requirements and business mobility restrictions continue to present burdens as well[3].

Which of the following, if any, present barriers to trading with the EU? Please select all that apply



Source: IoD Policy Voice September 2026

Challenges vary between sectors

For different sectors, there are pronounced differences in the frictions being flagged. Amongst manufacturers, 62% flag customs paperwork as a barrier, with 52% citing border delays, and 46% regulatory divergence. Amongst finance and IT companies, the top issue is regulatory divergence (flagged by 46% of respondents in that sector). Meanwhile for those in the professional/scientific/technical sector, regulatory divergence and border delays are joint top (both flagged by 36% of respondents), while customs paperwork is an issue for 30%. Looking across sectors, it is clear that regulatory divergence is a whole economy issue. For goods trade – which represents 60% of the UK's total trade with the EU[4] – the dominant issues are customs paperwork, rules of origin and product certification. For services companies meanwhile, mobility restrictions are more prominent, as well as data transfer issues.

Of those who selected "other", the majority of responses relate to how UK businesses feel they are perceived in the EU:

> **"EU suppliers simply can't be bothered to deal with UK businesses due to perceptions that there 'might' be additional hassle, even if we (the UK businesses) are willing to navigate those."**
>
> **Scotland, electricity and/or gas supply, 10-49 employees**

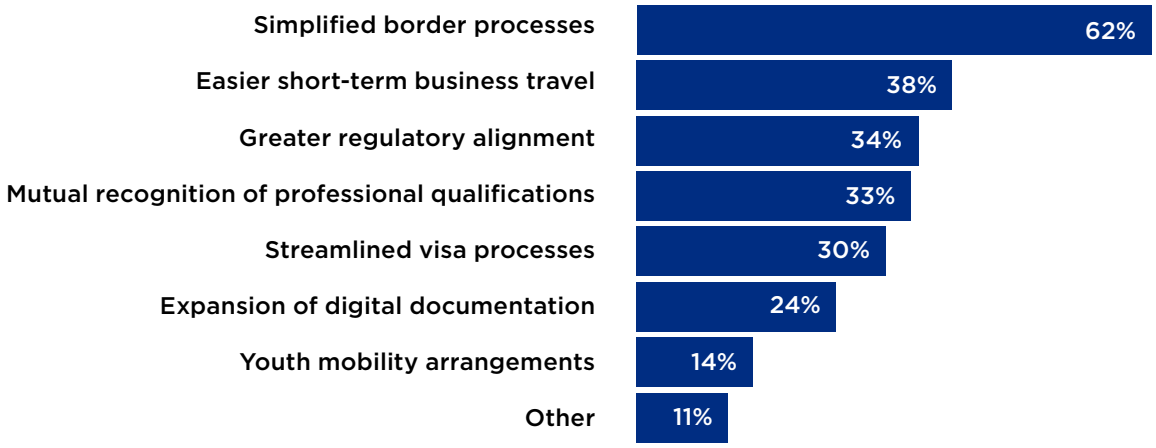
> **"Residual but reducing negative sentiment towards Brexit affecting overseas partners to weigh the worth of doing business in or with the UK."**
>
> **East Midlands, other services, 2-9 employees**

[3] IoD Policy Voice, September 2026
[4] Source: Office for National Statistics, Balance of Payments

Priorities to address

When asked what can be done to improve the trading environment with the EU, there is a clear ask for simplified border processes and easier short-term business travel and greater regulatory alignment.

Which measures do you think would most improve your organisation's ability to do business across UK-EU borders? Please select up to three.



Source: IoD Policy Voice September 2026



Navigating frictions has increased costs and competitive pressures for firms

Comments from companies trading with the EU reveal the implications of some of these frictions. Many have hired extra staff to manage customs processes, for example, or to oversee the export end of the business. The administrative burden is particularly challenging for smaller businesses and less frequent exporters, who do not necessarily have the same knowledge, resource and time as bigger businesses to overcome these challenges. While some EU companies simply refuse to ship to the UK.

> **"...nobody could give me the information we needed to actually get overseas. So at that point, we pulled the plug on every single export we did because it was just too hard."**
>
> **South West England, Professional, scientific and research, 2-9 employees**

> **"Brexit has delayed our delivery times by about 24 to 40 hours. We can't do next day deliveries to Europe anymore. That's just simply not possible."**
>
> **Homeware distributor, medium-sized business**

> **"We have found that a number of suppliers in Germany refuse to ship to the UK. We believe this is because they view the cost and complexity of documentation too high to warrant relatively small orders."**
>
> **North West England, Manufacturing, 10-49 employees**

Those who are able have set up subsidiaries or distribution centres within the EU to bypass border regulation. Members who offer consulting services to businesses on international growth have said they are also advising their UK clients to form long-term relationships with EU businesses in order to establish an export base from their location. Similarly, some less frequent exporters looking to expand are targeting multinational corporations as new clients which already have established global links, meaning they also have the necessary experience in international trade processes.



Many businesses feel at a competitive disadvantage to EU companies who can provide goods or services often more quickly, sometimes more cheaply, and without the hassle of paperwork. For example, one company told us that their European competitors

> **"...are trying to wrestle our market presence off the back of the fact that we are now as a country not as easy to do business with... Brexit has inevitably made us not as easy to do business with and so we have we probably lost a couple of distributors."**

> **"...the distributors just said 'for the amount of money that we're generating from your product, we're better off putting our efforts into something else because we're now diluting the benefit that we're getting'."**

Rules of origin present particular challenges. The Trade and Cooperation Agreement (TCA) allows goods to move tariff-free between the UK and EU only if they satisfy the agreement's rules of origin[5]. A product must either be wholly obtained in the UK or EU, or have undergone sufficient processing to meet detailed product-specific origin requirements. The TCA also permits bilateral cumulation, meaning UK and EU inputs can be treated as originating when incorporated into products traded between the two markets. For businesses, this means tariff-free trade is not automatic. Firms must be able to demonstrate compliance through origin calculations, record keeping and declarations, which can add considerable administrative costs even where no tariff is ultimately applied.

Meanwhile, the TCA does not recognise content from third countries, even those with which the UK and EU have a trade agreement. This can create difficulties for manufacturers that rely on international supply chains, particularly in sectors such as automotive, machinery, electronics and chemicals. Inputs from countries such as South Korea, Japan or Turkey may cause a product to fail origin requirements even where substantial processing occurs in the UK:

> **"In my case, New Zealand Manuka honey can enter the EU preferentially under the EU-New Zealand FTA, yet if the same honey is imported into Britain, substantially processed and value added in the UK, it can face 17.3% duty when exported to the EU because of the Chapter 4 Product Specific Rule. This actively discourages UK manufacturing and encourages businesses to bypass the UK."**
>
> **West Midlands, Manufacturing, 2-9 employees**

Origin rules vary by product and can be difficult to interpret. Businesses often require specialist customs advice to determine whether a product qualifies, while maintaining the documentation needed to support claims can be burdensome, particularly for SMEs. In some cases, the cost of proving origin exceeds the value of the tariff saving, leading firms either to pay tariffs or to avoid exporting altogether. This means businesses do not always realise the full benefits that the TCA was intended to provide.

Regulatory alignment

Since Brexit, the UK has largely kept its regulatory framework aligned with that of the EU, save for some instances of divergence as jurisdictions have tightened or updated certain regulations unilaterally[6]. However, as regulations and market priorities on both sides of the Channel continue to evolve, the key question will be how to balance the regulatory sovereignty against the EU market access benefits that will arise from greater alignment.

In the King's Speech in May 2026, Sir Keir Starmer's Government announced a European Partnership Bill with the intention of pushing for closer regulatory alignment with the EU. This has been delayed by the change in Prime Minister. Meanwhile there are numerous challenges associated with active alignment, such as: the UK's regulatory sovereignty, governance and scrutiny of any regulatory developments in the EU; the UK's role in the EU's various internal funds; and the implications for the UK's broader international trade agreements.

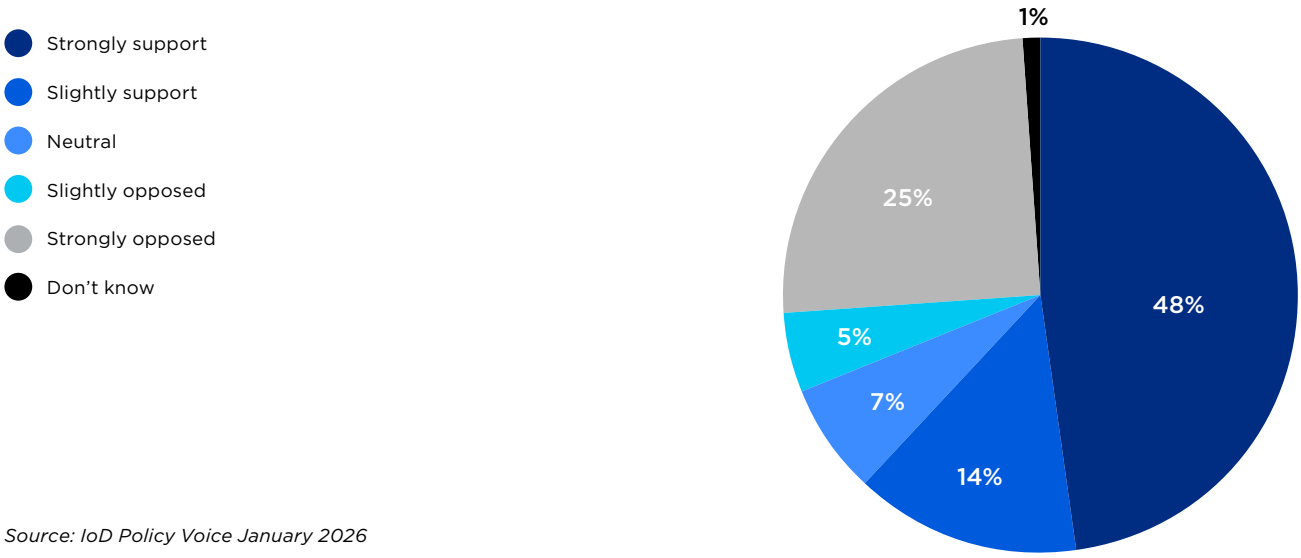
[5] Trade and Cooperation Agreement, Chapter 2, Rules of Origin, page 26, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/982648/TS_8.2021_UK_EU_EAEC_Trade_and_Cooperation_Agreement.pdf

[6] Since Brexit, examples of regulatory divergence have included the UK's establishment of UK REACH, the Subsidy Control Act 2022, the introduction of the UKCA marking regime, and differing approaches to digital regulation compared with the EU's Digital Markets Act and Digital Services Act.

In a survey in January 2026, members told us that on balance they supported the Government's approach to UK-EU regulatory alignment:

The government is currently in negotiations over the UK's future relationship with the EU. It is preparing a Brexit Dynamic Alignment Bill which would give the UK overarching powers to align with the EU on areas including food standards, animal welfare, electricity markets and carbon emissions trading. It raises the prospect that the new EU laws in agreed areas will effectively transfer to the UK statute book automatically, with the UK retaining the power to veto them in specific cases. It could also result in a reduction of administrative trade barriers at the border.

On balance, to what extent do you support [the government's] approach to UK-EU regulatory alignment?

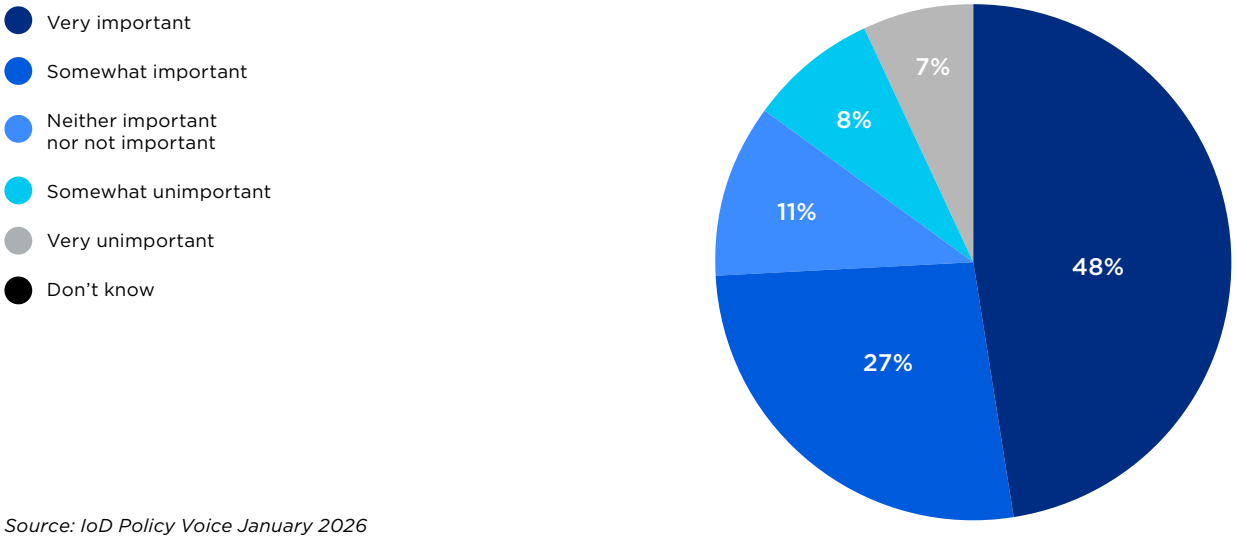


Source: IoD Policy Voice January 2026



Retention of the UK's sovereignty to shape domestic regulation remains important for business leaders.

How important is it that the UK should retain its sovereignty to shape UK regulation?



Source: IoD Policy Voice January 2026

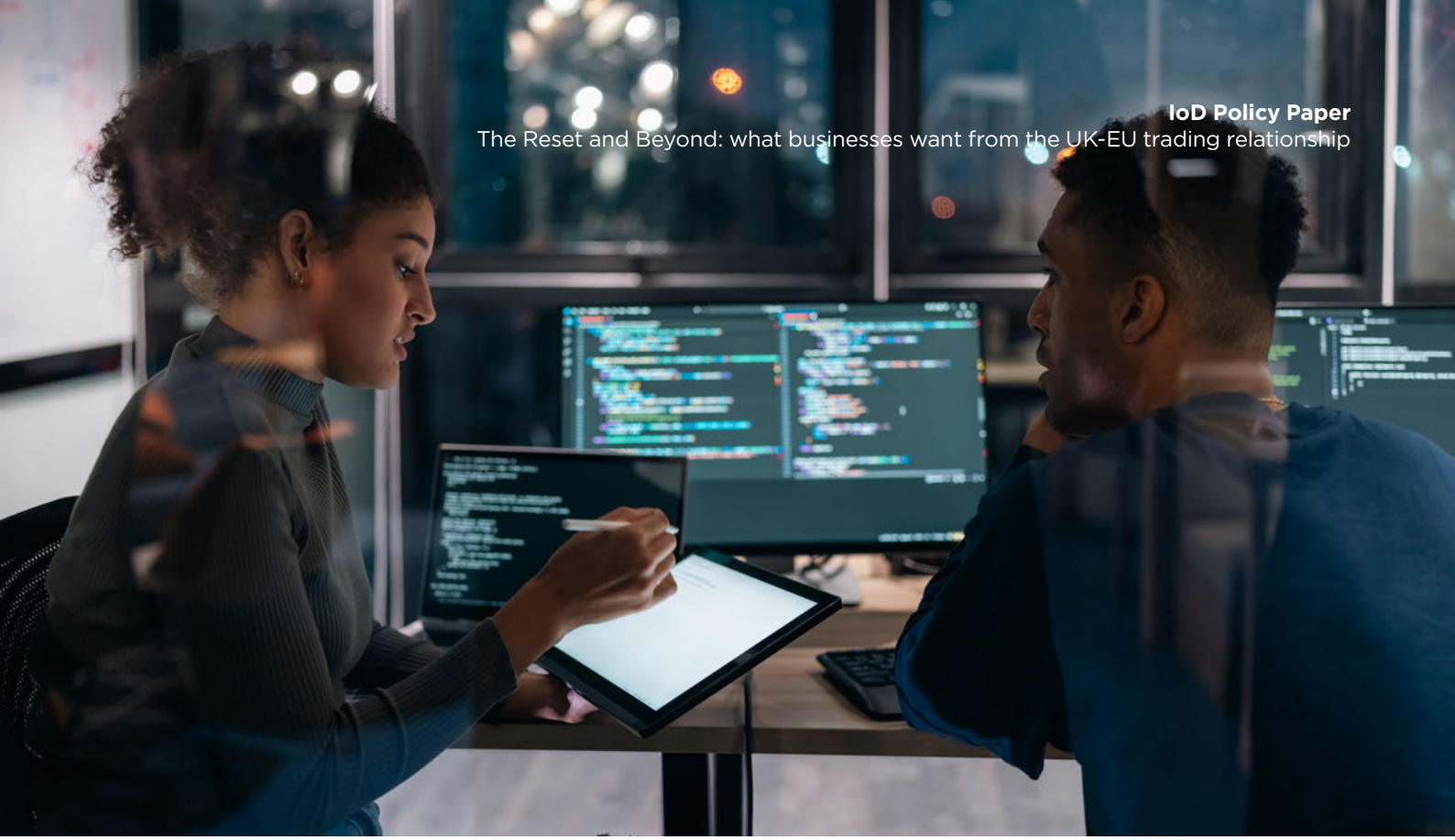
This reveals the very tension which the government must navigate. And that tension persists even when looking at the detailed data, with two fifths of companies selecting both alignment and sovereignty as important. Sectoral analysis adds further colour.

Support for closer alignment is strong amongst goods traders, where practically, friction impacts the ability to move goods across the border. Members report that the greatest burden arises where businesses must demonstrate compliance through separate regulatory, testing and certification processes despite standards remaining broadly comparable. This is particularly evident in sectors such as chemicals, medical devices and advanced manufacturing, where firms face duplicate administrative requirements to access both the UK and EU markets:

> "We are a micro company medical device manufacturer. Since Brexit, EU will not accept UK medical device approval."
>
> **South East England, Manufacturing, 10-49 employees**

> "Having separate regulations in the Pharma industry has completely hindered the UK's growth in this highly coveted space where the UK used to lead. Now, it does not. Losing the EMA to Amsterdam, having separate CE marking, having separate regulations for marketing authorisations of pharmaceuticals has been catastrophic. We have reduced the ability of our scientists to move to Europe and for European researchers to move to the UK. Now they chose other countries and it is the UK's loss."
>
> **London, Professional, scientific and technical activities, 2-9 employees**

> "The non-alignment of UK REACH and EU REACH is a significant impediment to trade and is a cost to the UK as some suppliers are not prepared to incur the cost for UK REACH."
>
> **South East England, Manufacturing, 50-99 employees**



> **Working in Medical Devices, we have to comply with two different regulatory frameworks which doubles the cost of regulatory compliance and blocks (or at best slows dramatically) our ability to export to the EU – the biggest market for Medical Devices in the world."**
>
> **South East England, Administrative and support services, 2-9 employees**

> **Our issue is more with medical device regulation which UK is already committed to accepting EU regulation for. It is a mixed blessing – means we don't have to get UKCA mark in addition to CE Mark before we can sell but means we are using regulations over which UK has no influence."**
>
> **East of England, Other services, 10-49 employees**

However, across services sectors, support wanes, which will in part reflect the reality that markets outside the EU have greater prominence. For example, while financial sector organisations are most likely to say that regulatory divergence presents the strongest barrier to EU trade, 83% of our respondents from that sector say that regulatory sovereignty is important, while 47% support alignment. Meanwhile, where there is a strong imperative for closer alignment on AI research and governance, and with AI research dominated by the US and China, there is concern that the EU AI Act is too restrictive to be beneficial for business, strongly prioritising safety over creating space for innovation.

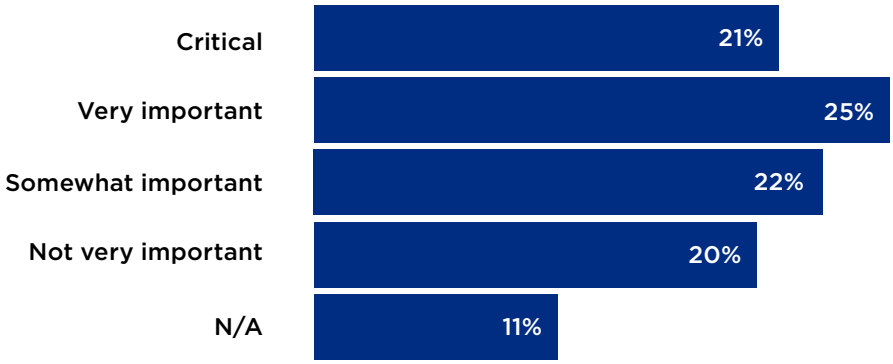
> **The biggest problem of aligning with EU on regulation is that the EU is rules based and the UK is principles based as is our legal system. EU regulations being rules that must be agreed by 27 members are far too slow to react to a fast evolving digital landscape, especially AI."**
>
> **London, Professional, Scientific and Technical activities, 2-9 employees**

> **We work with a variety of LLM's in our AI research and solution development for financial and logistics and supply chain operational services. The EU's ill informed approach to technology regulation would give us pause regarding our efforts in the UK."**
>
> **East of England, Professional, scientific and technical activities, 2-9 employees**

Business mobility

Of those that participate in UK-EU trade, the ability to travel and move staff between the UK and EU is important for just over two-thirds of businesses, and critical for 1 in 5.

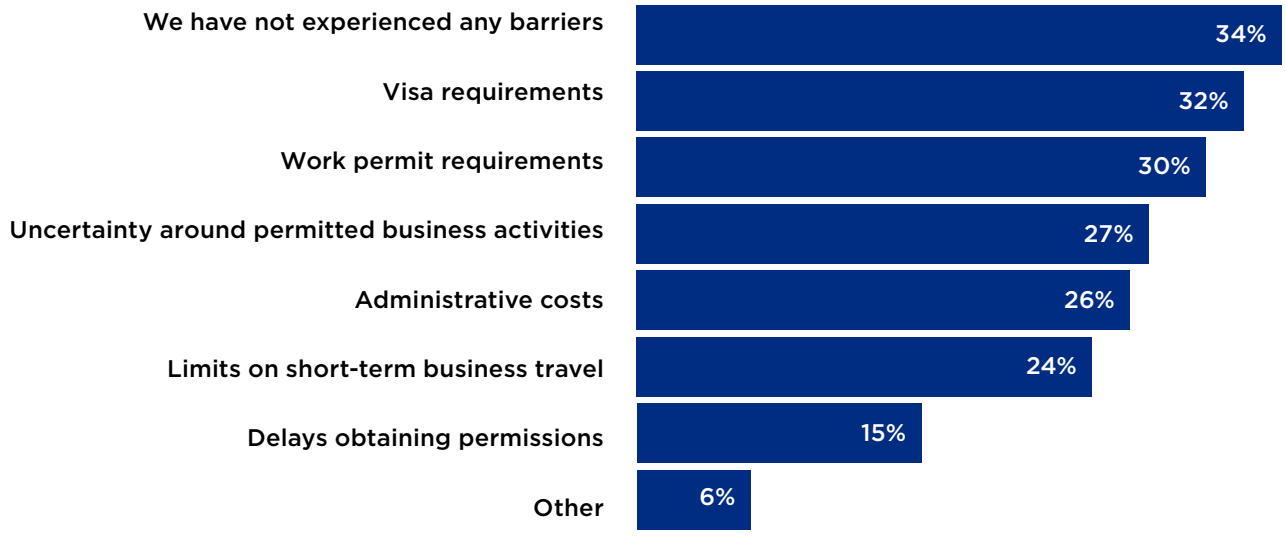
How important is the ability to travel and move staff between the UK and EU for your organisation?



Source: IoD Policy Voice September 2026

However, just a third of those have not experienced barriers that have impacted their ability to travel or move staff for business purposes between the two jurisdictions.

Which of the following mobility-related barriers, if any, have impacted your organisation's ability to travel or move staff for business purposes between the UK and EU?



Source: IoD Policy Voice September 2026

The TCA allows for individuals to travel between the UK and EU for a period of 90 days in any six-month period. It also permits the entry and temporary stay of a contractual service supplier and independent professionals for a cumulative period of 12 months, or for the duration of the contract, whichever is less.

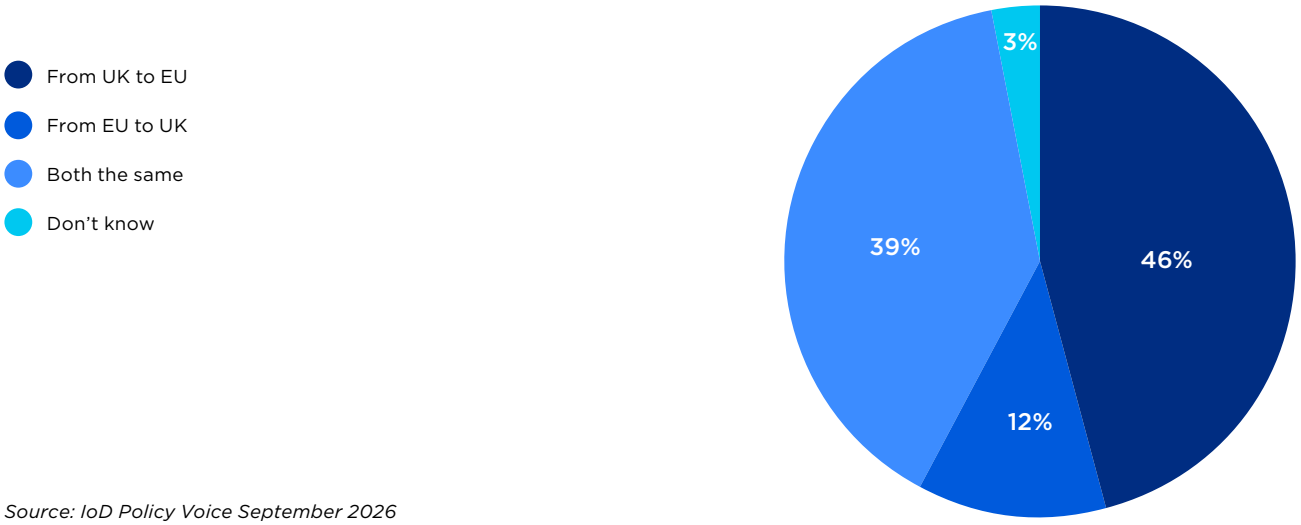
For UK to EU mobility, short-term business visitors may carry out the following activities (subject to any local restrictions):

- attend meetings, conferences and consultations with business associates
- research and design
- marketing research
- training seminars
- trade fairs and exhibitions
- sales (negotiating the sale and taking orders only – not supplying services and no direct sales to the general public)
- purchasing
- after-sales services
- commercial transactions
- translation and interpretation

Short term business visitors do not need a visa, but each member state may impose additional requirements and conditions on these workers carrying out any activities listed above.

Our data shows that it is primarily the UK to EU route that, in the context of these parameters, presents the biggest barrier:

In which direction do you experience the greatest mobility challenges?



Source: IoD Policy Voice September 2026

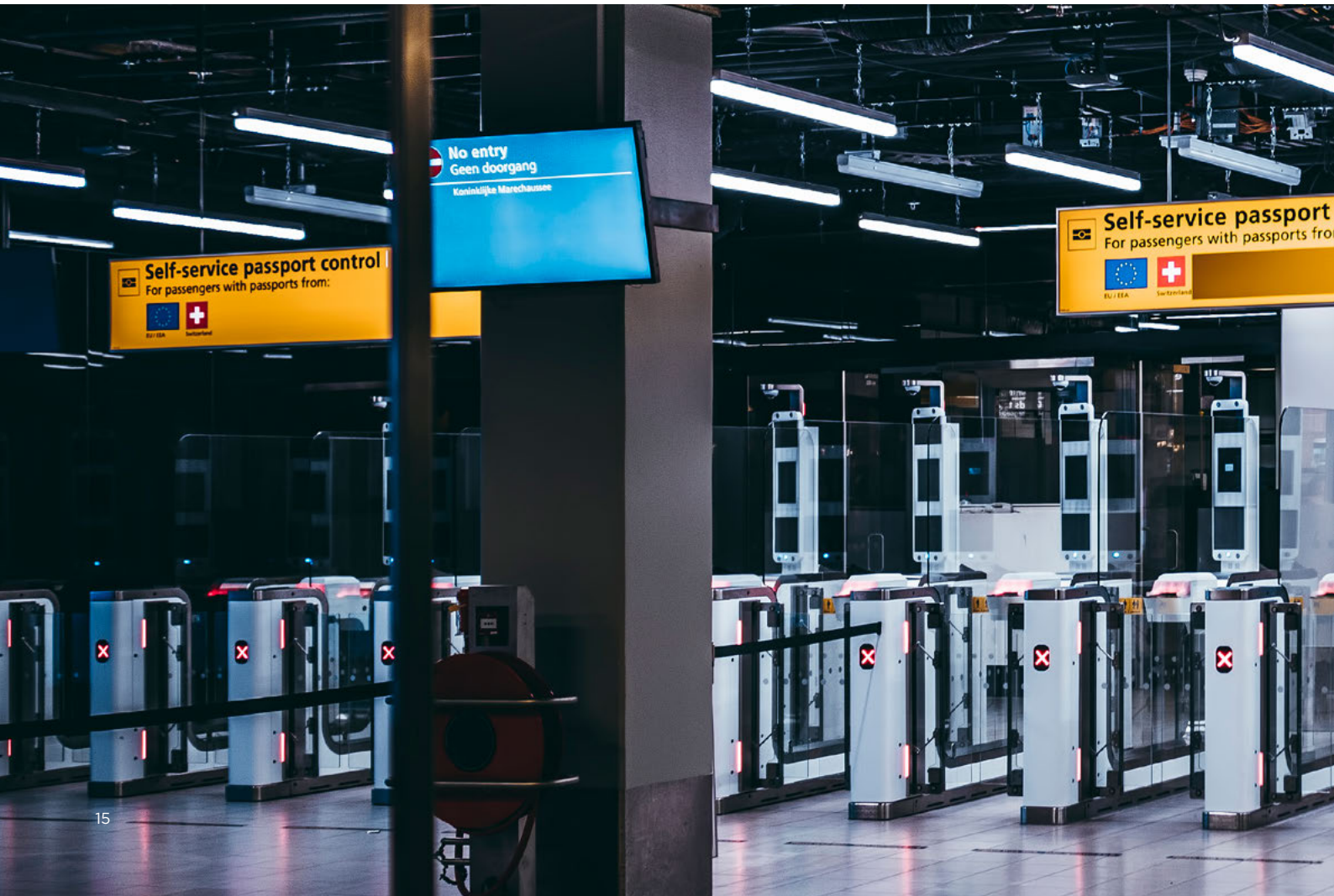
Members have told us that administration and visa documentation have been burdensome and long and complex to understand, varies from member state to member state and often has to be completed in the destination country's language.

> **"I simply cannot do my job in EU countries aside from Norway and Switzerland because of visa restrictions. Can professions like this be identified and helped along from a visa perspective?"**
>
> **North West England, Arts, Sports and recreation, sole trader**

Then, they have told us that getting through passport controls has been much longer and clunkier than it was before, disincentivising business travel in the first place:

> **"Travel within Europe has become less convenient, with occasionally long waits to get through the "non-EU" gates at passport control when flying through an EU hub."**
>
> **Sole trader, professional, scientific and technical activities**

Separately, members have told us that they are finding it difficult to recruit the right employees with the right skills, and that the new relationship with the EU has exacerbated their skills shortages now businesses have access to a much smaller pool of people from which to recruit.

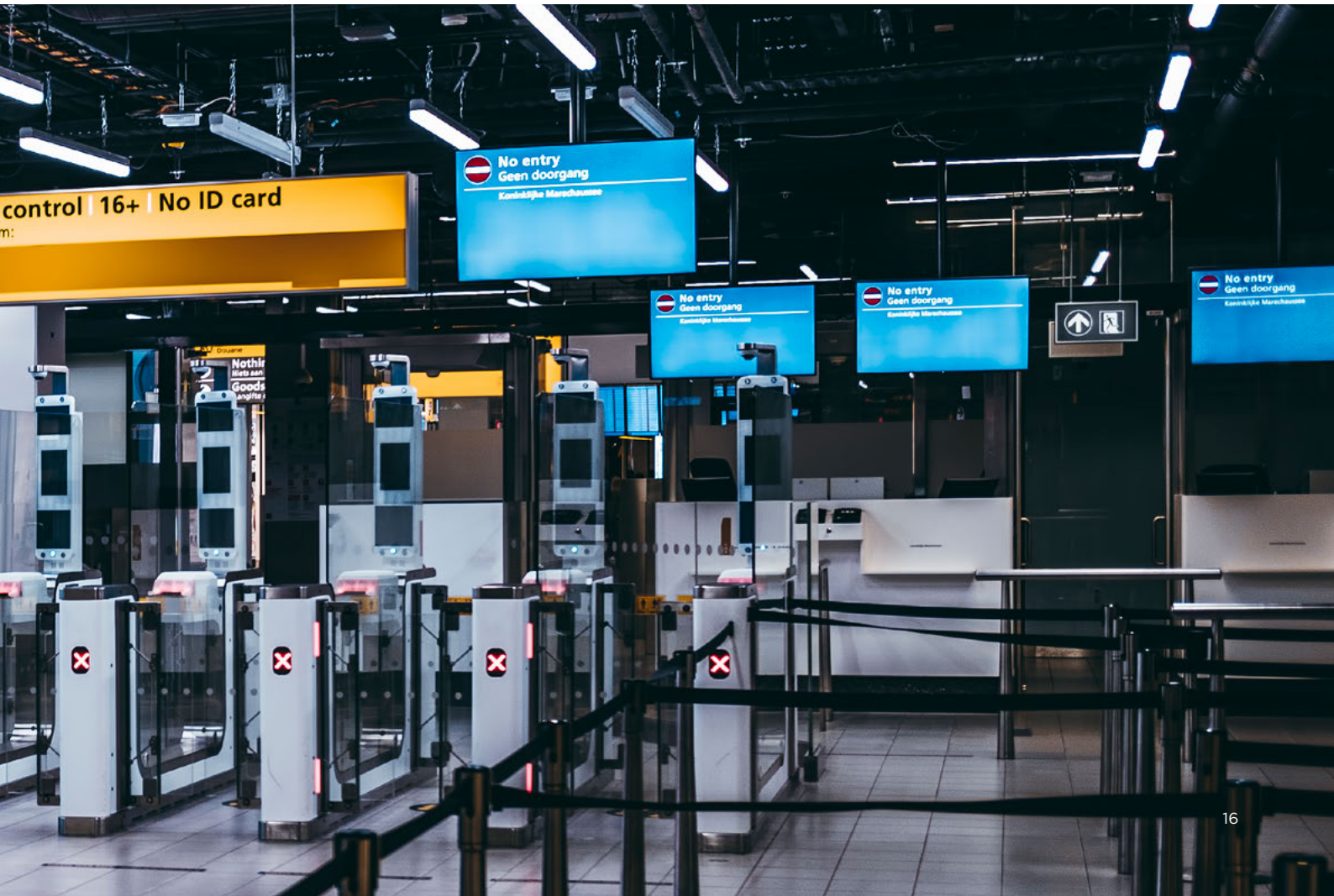


> **We previously welcomed sports coaches which comparable qualifications into Wales, some would stay for 3 months, others for years and work in the sports sector. We now see zero international coaches from Europe and have a huge shortage in the sector which cannot be solved in the short term at home. It's pushed up the cost of existing coaches and caused a supply issues."**
>
> **Wales, Arts, sports and recreation, 10-49 employees**

> **Before Brexit we would attract candidates for both medical writing and account management roles from Europe – free movement meant it was easy for them to move in and out of the country to live, and having staff with native French/German/Spanish is useful. Since Brexit we have not had a single candidate."**
>
> **Small business, pharmaceutical industry**

Another explained what was required to obtain a freelance visa to work in Germany, and described a list of 18 conditions, such as application forms, recommendation letters from previous employers, CV and cover letter, portfolio of previous work, profit and loss statements. All of this had to be completed in German.

Many members have told us they refer to EU guidance for information on visa requirements for each member state because UK sourced advice is unclear.



Where next?

Regardless of the 'four options' on the table – pursuance of a better trading relationship within the confines of the TCA, Single Market entry, Customs Union, full rejoin – the UK-EU relationship should ultimately be judged by whether it delivers the conditions businesses need to invest, trade and grow. For businesses, success in the long term will be measured by practical outcomes: greater certainty, fewer frictions, a regulatory and trading environment that allows firms to plan for the long term with confidence and the targeted retention of sovereignty where there is a clear benefit to the UK.

The Government's efforts to reset relations with the EU created a more constructive environment for engagement. Faced with common challenges, including economic competitiveness, energy security, technological change, supply chain resilience and an increasingly uncertain international environment, the UK and EU have strong incentives to work together where cooperation delivers mutual benefit.



IoD recommendations for Government

1 Fulfil the commitments made in the 2025 Reset Summit

The UK and EU should t fulfil the commitments made at the 2025 Reset Summit, including the Veterinary Agreement, linking emissions trading, linking electricity markets and negotiating a Youth Experience Scheme. Providing certainty on implementation and maintaining momentum behind the reset process would help rebuild confidence in the trading relationship, improve market access, and demonstrate a continued shared commitment to a more stable and constructive trading relationship.

2 Improve the business mobility landscape

The Common Understanding, published in 2025 after the first Reset Summit, saw the two sides commit to setting up dedicated dialogues on the implementation of the TCA regarding entry and temporary stay of natural persons for business purposes, including the sponsorship scheme, and the recognition of professional qualifications[7]. We urge the government to fulfil this commitment in order to explore new ways of cooperation to support easier business mobility arrangements under the TCA.

- **Fulfilment of the commitment in the 2025 Common Understanding to establish regular dialogue on short term travel arrangements.**
- **An individual agreement with the EU on business mobility and extend the 90 days in every 180 limit on travel into the EU.**
- **The creation of a single database of requirements for each different type of visa for each different EU jurisdiction that is easily accessible for business and updated as changes occur.**
- **Extend the permissible activities for short term business visitors.**

3 Treatment of third countries

The current treatment of third country content prioritise greater flexibility through diagonal cumulation arrangements[8] that better reflect complex international supply chains, while also improving practical support and guidance to help businesses understand existing preferences. Together, these measures would reduce trade frictions and strengthen the competitiveness of UK firms trading with the EU.

- **Seek agreement with the EU to expand cumulation arrangements, allowing inputs from selected third countries with which both parties have free trade agreements to count towards origin requirements.**
- **Improve practical support for firms navigating rules of origin requirements. This should include clearer guidance, enhanced digital tools and access to specialist advice on origin and cumulation rules under the TCA.**

4 Use technology to address trade frictions where possible

IoD members had been really encouraged by the development of the Single Trade Window (STW) policy. However, development was halted last year, despite the project's proximity to completion. More recently, early scoping talks have taken place between government and industry to establish priorities ahead of a re-engagement on the project. We urge the government to restart the implementation of the STW to facilitate smoother trade for all UK companies.

- **Restart the development of the Single Trade Window.**

[7] Cabinet Office, UK-EU Summit – Common Understanding, 2025, https://www.gov.uk/government/publications/ukeu-summit-key-documentation/uk-eu-summit-common-understanding-html

[8] Diagonal cumulation allows inputs from specified third countries with which the parties have compatible trade agreements to be treated as originating content for the purposes of meeting rules of origin requirements, thereby increasing sourcing flexibility for manufacturers.

5 Regulatory alignment priorities

As the UK deepens regulatory cooperation with the EU, businesses will need greater certainty over how future regulatory changes are assessed, adopted and implemented. Effective regulatory cooperation requires transparency and predictability, ensuring that firms can prepare for changes well in advance while policymakers retain the ability to assess whether alignment serves the UK's interests.

- **Establish an independent mechanism to assess and scrutinise significant EU regulatory developments. This body should undertake impact assessments, monitor emerging EU legislation and provide evidence-based advice on the implications for UK businesses and the wider economy.**
- **Strengthen support for businesses adapting to UK-EU regulatory changes. This should include clear guidance, early communication of forthcoming changes and targeted awareness campaigns to help firms prepare for new regulatory requirements.**

Regulatory divergence is most burdensome in sectors where firms face duplicate testing, certification and compliance requirements despite broadly comparable regulatory objectives on both sides of the Channel. For sectors such as chemicals, medical devices and advanced manufacturing, these additional costs can make it harder for UK firms to access EU markets and compete internationally. The Government should therefore prioritise targeted regulatory cooperation in areas where it can deliver meaningful reductions in trade frictions while preserving the UK's ability to diverge where there is a clear domestic benefit.

- **Prioritise targeted regulatory cooperation with the EU in chemicals, medical devices and advanced manufacturing, including enhanced cooperation on conformity assessment and measures to reduce duplicate testing and certification requirements.**

The Institute of Directors is a non-party political organisation, founded in 1903, with approximately 20,000 members. Membership includes directors from right across the business spectrum, from media to manufacturing, professional services to the public and voluntary sectors. Members include CEOs of large corporations as well as entrepreneurial directors of start-up companies.

The IoD was granted a Royal Charter in 1906, instructing it to "represent the interests of members and of the business community to government and in the public arena, and to encourage and foster a climate favourable to entrepreneurial activity and wealth creation." The Charter also tasks the Institute with promoting "for the public benefit high levels of skill, knowledge, professional competence and integrity on the part of directors", which the IoD seeks to achieve through itstraining courses and publications on corporate governance.

For information on how to join the IoD's thriving membership community, visit our website **iod.com**

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