



Strengthening EU-UK trade relations

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German Chamber of Commerce and Industry

Breite Straße 29
D-10178 Berlin
Telephone +49 30 20308 0
Email info@dihk.de

DIHK Online

[Homepage](#) | [Facebook](#) | [X \(Twitter\)](#) | [LinkedIn](#) | [Instagram](#) | [YouTube](#)

Editor: Klemens Kober

Graphics: Sebastian Titze

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Escalating geopolitical crises – most recently the tensions surrounding Greenland and the war in Iran – underscore the need for close European cooperation based on shared interests and values. This is not only a matter of Europe's ability to act in the field of security policy, but also of our continent's long-term prosperity. Ten years after the Brexit referendum, it is therefore time for the European Union and the United Kingdom to consistently develop their relations further and deepen their cooperation in all relevant political and economic areas. Institutional relations as close as possible would yield greater welfare gains on both sides than any other trade initiative currently being pursued. Against this backdrop, the German Government should also strongly advocate for such a deepening of relations, in the spirit of the German-British Friendship Treaty of 17 July 2025.

Brexit remains an economic disaster for both sides of the Channel. The United Kingdom's (UK) withdrawal from the EU has also strained its close trade ties with Germany: whereas the UK was Germany's fifth-largest trading partner before the referendum, it has now slipped to ninth place. Trade barriers, regulatory divergence and the end of the free movement of people are hampering economic exchange. The adoption of the Windsor Framework in 2023 and the EU-UK summit in May 2025, which secured an agreement on closer economic cooperation, were crucial for stabilising economic relations. As long as a return to the EU is not foreseeable, the EU and the UK should, as part of the review of the bilateral trade agreement, agree to deepen institutional cooperation in the field of foreign trade, swiftly conclude negotiations on the Sanitary and Phytosanitary (SPS) and Emissions Trading System (ETS) agreements, and advance dynamic regulatory alignment in relevant areas of the Single Market. The next EU-UK summit in summer 2026 offers a good opportunity for this.

Current trade relations

Four treaties govern relations between the EU and the UK: The Withdrawal Agreement between the EU and the UK, which entered into force on 1 February 2020, ensured an orderly withdrawal of the United Kingdom from the EU. The Trade and Cooperation Agreement (TCA) has been in force since 1 January 2021 and contains preferential arrangements in areas such as trade in goods and services, digital trade, intellectual property, public procurement, air and road transport, energy, fisheries and participation in Union programmes. It is based on provisions that ensure a level playing field and is underpinned by dispute settlement mechanisms and safeguard measures in the event of non-compliance with obligations. Whilst the Trade and Cooperation Agreement cannot by any means match the level of economic integration that existed during the UK's EU membership, it does go beyond traditional free trade agreements. Foreign policy, external security and defence cooperation are not covered by the agreement. The EU had sought this option. Since January 2021, therefore, apart from ad hoc solutions between the UK and the EU, there is no longer any institutional framework for development and coordination in areas such as sanctions policy, export controls or economic security. Furthermore, the Trade and Cooperation Agreement does not include decision-making mechanisms regarding the equivalence of financial services, the adequacy of the UK's data protection system, or the assessment of the UK's health and plant health systems for the purpose of inclusion on the list of third countries authorised to export food to the EU. Furthermore, an agreement on the security of information and an agreement on the use of nuclear energy have been in force since 1 January 2021. Mutual access to fisheries is also regulated until 30 June 2038.

Trade barriers

Although the trade agreement with the UK is the only EU agreement to guarantee completely duty-free trade, non-tariff trade barriers remain. As a result of Brexit, SMEs in particular are facing increased administrative burdens relating to customs declarations, conformity assessments and regulatory requirements. This leads to higher operating costs and significant delays at the borders, which particularly affects exports and the availability of perishable goods on both sides. Inadequate infrastructure and a shortage of trained customs officers have placed an additional strain on the system and led to disruptions in the timely movement of goods. The implementation of the UK's new import regime ("Border Target Operating Model") has caused difficulties by resulting in frequent changes to risk categorisation without proper notification, inconsistent interpretations of import regulations, long waiting times during checks, and the failure to recognise the EU as a single sanitary and phytosanitary unit.

The EU classifies the following UK regulation as a barrier to trade: since 2022, third-country nationals must be 'sponsored' by a UK-based organisation in order to work temporarily in the UK. The UK-based organisation must first undergo a procedure to become a 'sponsor'.¹ This creates additional burdens that could favour UK service providers.

For the years 2021 to 2024, the European Commission has noted in its implementation reports that, despite some implementation issues, the trade arrangements for goods and services set out in the Agreement have generally functioned well. It is positive to note that in 2024, only two relevant official complaints regarding the implementation of the agreement were received via the Commission's online tool. The European Commission should continue to remain in close contact with business representatives on this matter.

In the wake of its withdrawal from the EU, the UK has driven regulatory divergence, particularly in the financial and AI sectors, which is having a negative impact on economic exchange. Added to this is regulatory divergence resulting from new EU legislation and EU case law, which the UK has not adopted.

On 8 May 2025, the UK and the US agreed on an economic deal that may affect the level playing field conditions agreed in the EU-UK Agreement and lead to a further divergence from EU standards. In particular, the US is pressing the UK to recognise US accreditation bodies, thereby granting them the authority to accredit certification, testing and verification bodies in the UK. This would mean that the UK accreditation body UKAS would no longer meet the basic requirements for membership of the European Cooperation for Accreditation, under which national accreditation bodies mutually recognise one another. The UK should refrain from such deviations. The EU, for its part, should take action against such special arrangements where necessary in order to maintain a level playing field and the integrity of the EU single market. In this regard, the European Commission should continue to closely monitor regulatory divergences in the UK that could pose a risk in the form of non-compliance with the Trade and Cooperation Agreement, particularly in areas relevant to a level playing field.

Deliverables for the 2026 EU-UK Summit

Building on the cooperation agenda agreed in 2025, the EU and the UK should reaffirm their commitment to the full, timely and faithful implementation of the Withdrawal Agreement, including the Windsor Framework and the Trade and Cooperation Agreement. In addition, negotiations on the UK's accession to the EU's internal electricity market, on a common area for sanitary and phytosanitary (SPS) standards, and on the linking of the two emissions trading systems (ETS) should be concluded. Furthermore, negotiations should be launched on a foreign policy chapter in the trade agreement, focusing on economic security issues, as well as on the UK's re-entry into the Pan-Euro-Med Free Trade Area (PEM). Similarly, dynamic regulatory alignment in relevant internal market areas, as well as simplifications for business travel and the recognition of professional qualifications, should be pursued.

Institutional cooperation

As long as a return to the EU is not foreseeable, the EU and the UK should deepen their cooperation through the closest possible institutional ties in all relevant areas. German industry would support British efforts towards a customs union or accession to the European Economic Area.² With regard to future EU-UK cooperation, it is clear that replicating the special arrangements for Switzerland – which are based on over a hundred complicated treaties and are subject to endless renegotiation – should not be the aim. As the UK rejects the free movement of persons – one of the four cornerstones of the EU Treaties – market access cannot be structured as extensively as with Switzerland or Norway. Dynamic regulatory alignment in the automotive, mechanical engineering, chemical, cosmetics and medical devices sectors, on the other hand, could be beneficial for both sides. The UK is significantly affected by the EU's steel measures, the localisation requirements set out in the proposed Industrial Accelerator Act (IAA), the EU customs reform including the abolition of the *de minimis* rules, and regulations such as CBAM, the Deforestation Regulation, the European Supply Chain Directive and the EU Forced Labour Regulation. The closest possible cooperation in these respective areas would facilitate trade and investment.

¹ https://trade.ec.europa.eu/access-to-markets/en/barriers/details?isSps=false&barrier_id=18342

² Some sections of the business community are calling for the EU to make an active effort to encourage the UK to rejoin.

Energy cooperation

Brexit has led to less efficient electricity trade between the UK and the EU, which is accompanied by higher energy costs. The institutional link between the UK ETS and the EU ETS is of particular importance so that both sides can exempt themselves from their respective carbon border adjustment mechanisms in trade in goods. These negotiations should be concluded as soon as possible. The EU CBAM is already in force and the UK CBAM is set to take effect on 1 January 2027. Without a swift agreement, EU exporters would therefore be affected by the UK CBAM.

Regulatory cooperation

The indefinite recognition of the CE marking should be extended to all product regulations in the UK in order to simplify compliance requirements. Furthermore, the EU and the UK should agree on negotiations to align conformity assessments for products, particularly in highly integrated sectors. Redundant testing, especially for SMEs, should be avoided.

Regulatory differences between the EU and the UK in the field of public health have increased since Brexit, affecting marketing authorisation procedures for medicines, cross-border supply chains and access to essential treatments. These differences have already led to medicine shortages and increased import costs. As the agreement provides only limited mechanisms for cooperation in the health sector, a sustainable alignment of legislation should be envisaged. Access to safe and effective medicines should be guaranteed in both jurisdictions.

Customs issues

The EU and the UK should cooperate closely in the area of customs, including by ensuring effective information and data exchange and by establishing a joint database on irregularities and fraud in e-commerce. Negotiations on a common sanitary and phytosanitary area (SPS Agreement) should be concluded swiftly to facilitate trade in goods, particularly in the food sector. The agreement should provide for the coordination of maximum residue limits for pesticides and dynamic alignment, including a dispute settlement mechanism. Regulatory dialogue in areas of food regulation not covered by the SPS Agreement should also be intensified to avoid discrepancies in areas such as labelling and packaging. Furthermore, compensation payments should be provided for the necessary reconstruction of customs infrastructure should a party withdraw from the agreement.

The UK should simplify customs procedures by developing programmes for trusted traders and introducing 'green lanes' for low-risk goods. The UK Office for National Statistics should also rejoin the European Statistical System (ESS) to exchange robust and reliable statistical data.

The extension of the rules of origin for electric vehicles and batteries until 31 December 2026, agreed on 21 December 2023, should be extended further to prevent 10 per cent tariffs on bilateral trade. Many companies also advocate exploring the UK's re-entry into the Pan-Euro-Med Free Trade Area to facilitate the cumulation of goods in Europe. The utilisation rate of the EU-UK trade agreement is below 90 per cent. Both sides should therefore analyse in detail why companies are not making use of trade preferences and take appropriate measures to increase utilisation rates. The recently agreed EU-Gibraltar customs union is welcome.

Trade in services and labour mobility

The EU and the UK can look back on a long tradition of worker and trainee mobility. There is therefore a need for a comprehensive mobility agreement that ensures the cross-border mobility of workers. The UK's re-entry into Erasmus+ from 1 January 2027 is to be viewed very positively.

British visa procedures for skilled workers and contract service providers from the EU should be simplified, and service providers covered by the Trade and Cooperation Agreement should be exempted from the sponsorship system in order to reduce the financial and administrative burden. Many activities, particularly those not requiring formal qualifications, are off-limits to foreign providers. This applies above all to (skilled trade) occupations in the construction sector, but also to trade fair construction and assembly work, provided the latter is not linked to a purchase, supply or rental contract. The granting of visas is tied to university degrees and high minimum income

thresholds. The granting of visas is impossible to achieve without the active involvement of the British client side ('Sponsorship Licence') and is also very costly. This calls into question the economic viability of assignments abroad. Yet for many export-oriented companies, services such as after-sales services (maintenance, installation, training and repair) are an integral part of their business model.

The EU Member States and the UK should reduce processing times and lower the costs of applying for work permits.

Both sides should also explore ways of facilitating the short-term mobility of service providers and entrepreneurs, particularly SMEs and the self-employed, through simplified visa procedures and the mutual recognition of professional qualifications. Clear recognition procedures would be very important in this regard. To date, there is only a recommendation for a possible agreement on mutual recognition within the framework of the Agreement (architects). The implementation of Article 158 of the Agreement should be accelerated. Further sectors such as healthcare, engineering, and legal and financial services should be included. Mutual exemption from the reciprocal electronic travel authorisation requirements through close technical cooperation can also facilitate trade in services.

The European Commission should also fully implement the SME chapter of the Agreement by swiftly establishing the SME contact points provided for in the Agreement and ensuring the active participation of SME representatives, such as chambers of commerce and the Manufacturing Industry.

Economic security

The EU and the UK should add a foreign policy chapter to the trade agreement, specifically providing for cooperation on economic security issues. If the agreement cannot be opened up, a bilateral economic security agreement should be concluded. Essential elements here would be early warning mechanisms for resilient supply chains, a raw materials partnership and an agreement to refrain from economic coercive measures. This applies in particular to export restrictions on sensitive goods in the sectors of energy, critical raw materials, medicine and food. In addition, state transparency and notification obligations regarding export controls should be agreed – for example, in the form of a code of conduct. Close cooperation on export controls, investment screening, trade defence measures and anti-coercive measures should also be institutionally agreed.

The special arrangements for Northern Ireland highlight the need for closer institutional cooperation in the areas of trade and foreign policy to prevent situations in which companies are confronted with differing trade policy measures on the part of the EU and the UK: If the EU were to impose the suspended 93 billion in retaliatory tariffs against the US using the Enforcement Regulation, Northern Ireland would have to implement these automatically under the Windsor Framework. Although the Anti-Coercion Instrument is not part of the EU regulations that must be automatically implemented, the Windsor Framework stipulates that Northern Ireland must levy tariffs on goods that could enter the EU.

The EU and the UK should also work more closely together in the area of digital sovereignty. In the age of Industry 4.0, it is essential for businesses that there be no regulatory divergence on data protection, so as not to jeopardise the EU's equivalence decision for the UK, which is valid until 27 December 2031. Furthermore, research cooperation should be strengthened, particularly with regard to future-oriented topics such as space or quantum applications.

The EU and the UK should, after all, work closely together on reforming the World Trade Organisation. The same applies in the context of EU cooperation with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The UK's accession to the WTO Agreement on a Provisional Multilateral Appellate Arrangement (MPIA) is also strongly to be welcomed.

Trade figures

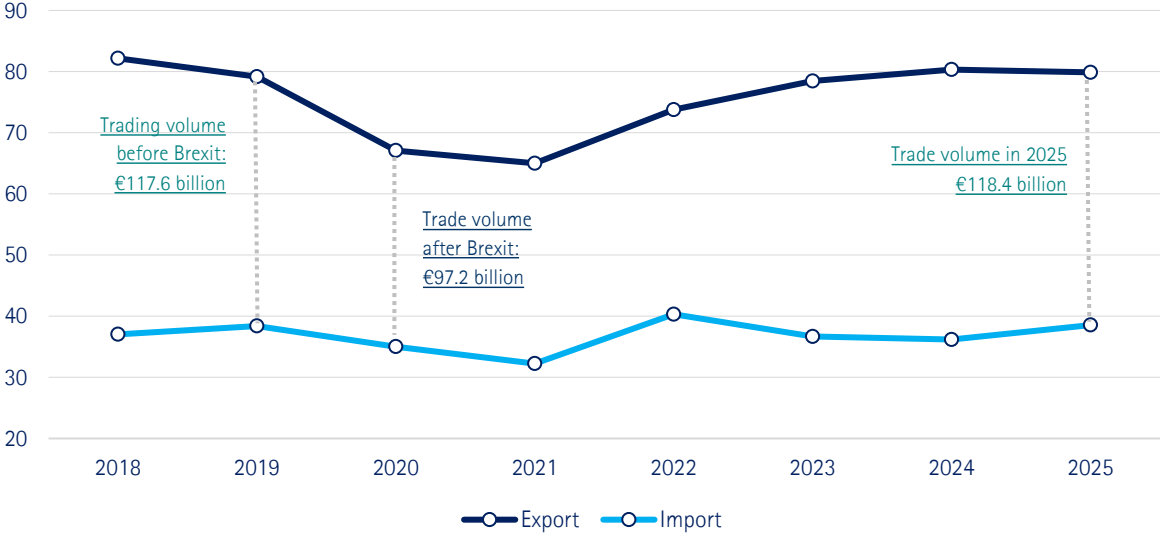
The EU is the UK's largest trading partner. It accounts for 51.7 per cent of UK foreign trade in goods in 2024. The UK, in turn, is the EU's third-largest trading partner after the United States and China (10.1 per cent).

EU exports to the UK amounted to €341 billion in 2024, whilst imports from the UK totalled €164 billion. The EU's main exports of goods to the UK include: machinery and equipment (20.4 per cent), transport equipment (18.9 per cent), chemical products (11.5 per cent), food, beverages and tobacco (9.3 per cent), and base metals (6.7 per cent). EU

direct investment in the UK amounted to almost €1.8 trillion in 2023. Conversely, UK direct investment in the EU is worth over €1.3 trillion.

German foreign trade with the United Kingdom

Trade in goods in billions of euros



In terms of exports, the United Kingdom was Germany's fifth-largest market in 2019. As a result of Brexit, it had slipped to eighth place by 2025. In terms of total trade volume, the United Kingdom ranked fifth before Brexit, slipped to eleventh place by 2022 and returned to ninth place in 2025. In 2025, Germany recorded a trade surplus with the United Kingdom of €41.3 billion – Germany recorded a higher surplus only in trade with the USA (€52 billion) and France (€48 billion).

German foreign trade has been represented in the UK since 1971 by the German-British Chamber of Industry and Commerce (AHK UK). The AHK has around 800 member companies, making it the largest European bilateral chamber in the UK.

Who we are:

The German Chamber of Commerce and Industry (DIHK) is the umbrella organisation of the 79 Chambers of Commerce and Industry (IHKs) in Germany. Together, they represent the interests of more than three million companies from industry, trade and services – from small local businesses to globally active corporations. Their shared objective is to ensure the best possible conditions for successful business.

At the national level, the DIHK consolidates the positions of the IHKs through a formal, statutory-based process. It represents the overall interests of the German business community vis-à-vis policymakers, public authorities and the wider public. At both the federal and European levels, the DIHK advocates for competitive framework conditions, including reduced bureaucracy, open markets and modern infrastructure.

The DIHK serves as a platform for the diverse perspectives of its member companies. Its analyses and statements reflect a broad range of views, including minority positions, in order to provide policymakers with a comprehensive and balanced picture. In this way, the DIHK contributes to informed and credible economic policy debates in Berlin and Brussels.

Entrepreneurs play a central role in shaping the DIHK's positions through their engagement in statutory and voluntary bodies such as general assemblies and committees. Their work is supported by more than 200 staff members in Berlin and Brussels. The DIHK's Chief Executive Officer, appointed by the General Assembly, is responsible for day-to-day operations.

In addition to its national role, the DIHK coordinates a global network of more than 150 German Chambers of Commerce Abroad (AHKs), delegations and representative offices in over 90 countries, supporting German businesses worldwide.