

# The EU–UK relationship: It is what it is

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# Executive summary

The EU–UK Trade and Cooperation Agreement might have pulled both sides back from the brink of a no-deal cliff edge, but it remains a shaky foundation for the next stage of EU–UK relations. Paired with permanently lower levels of trust, the deal sets the stage for future conflict and uncertainty.

The harsh realities of a thin and economically disruptive deal can be expected to bleed into the EU–UK political relationship, which is less settled. The prospect of a high-friction political relationship raises questions about strengthening cooperation in areas of mutual interest, such as climate change, multilateralism and global health. Both sides must invest in the relationship and rebuild trust to prevent any conflict from escalating into a tit-for-tat. Or else, they risk the collapse of the deal and the return to a no-deal-like state.

In the first months of its new phase, the relationship is already off to a rocky start. The rows over the diplomatic status of the EU mission in London and the Commission’s (now reversed) decision to trigger Article 16 of the Northern Ireland Protocol expose the volatility of the relations and the importance of good communication and trust.

The hope for a deal came with the expectation that it would provide the foundation upon which a closer relationship could be constructed over time. It now seems more likely that it will be the basis for a diverging – and at times conflicting – relationship, with little prospect for a significantly closer economic relationship anytime soon. There seems little political appetite on both sides to build on the economic settlement meaningfully, which would require a significant shift of red lines. Previous expectations that a deal would pave the way for outstanding issues, such as the EU granting equivalence for financial services, have also diminished. Given both the political climate and many red lines, the agreed thin economic settlement may be the most we can expect.

# A deal at last

The EU and the UK concluded negotiations on the Trade and Cooperation Agreement (TCA) on Christmas eve of 2020. Pending full ratification on the EU side, it came into force on 1 January 2021, avoiding the no-deal cliff edge narrowly.

From the EU's perspective, a deal is better than no deal: it implies less economic disruption to trade and investment flows and safeguards the agreement already reached on Northern Ireland, providing a basis to build future cooperation. It also offers the opportunity to close this chapter of European integration, enabling the EU to move on from Brexit.

The TCA broadly settles how both sides will trade (goods) with each other in the future. However, the same cannot be said for the future EU–UK political relationship. There

are gaps in many areas of cooperation. And it remains to be seen how and if the EU and the UK will act in concert when it comes to shared global challenges. The loss of trust over the last four years, coupled with the Brexit project's ideological nature, will continue to cause friction, potentially putting the whole arrangement into question.

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## The new EU–UK relationship

From an EU perspective, the trade deal secures its vital interests. It also fulfils the strategic goals set by the European Council; in particular, reaching a single overarching framework, an agreement on fisheries, and robust commitments that ensure a level playing field (LPF).<sup>1</sup> However, although the Agreement does safeguard the integrity of the Single Market and shows that EU membership matters, it also establishes a relationship with the UK that is more distant and less comprehensive than the Union envisioned.

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### A THIN DEAL

The TCA is clearly a thin deal compared to full EU membership or other more ambitious models of partnership, particularly participation in the Single Market and/or Customs Union. Perhaps more importantly, it is also a thin deal in regard to the objectives set out in the Political Declaration, the framework for the future EU–UK relationship as agreed in October 2019, which “establishes the parameters of an ambitious, broad, deep and flexible partnership”.<sup>2</sup>

While the TCA delivers duty- and quota-free trade, there are a plethora of non-tariff measures and processes. The avoidance of tariffs and quotas on goods benefits sectors like car manufacturing, textiles and agricultural products in particular, which otherwise would have been impacted heavily. However, preferential trade terms are subject to rules of origin. As such, not all products will qualify for tariff-free access. The UK's choice of a hard Brexit implies an end to frictionless trade, as checks and formalities apply. The need for entry and exit customs declarations and animal and plant health checks inevitably leads to more cumbersome and costly trade.

The Agreement entails minimal provisions on trade in services and capital. While this is the case for most free trade agreements (FTAs), new barriers to trade in services are likely to have a detrimental impact on the UK's service industry, which has recorded a yearly trade surplus with the EU since 2005.<sup>3</sup> For sectors of strategic interest, such as financial services, the EU has an interest in encouraging the development of these services within the Single Market. The EU's unilateral decision on equivalence is therefore far from a foregone conclusion.

Furthermore, trade in services often relies on the movement of people. In this regard, the UK's wish to end the freedom of movement and the lack of a mobility chapter in the TCA creates new barriers for business travel. This implies severe consequences for some services exports, such as the British creative industries.

The EU and the UK will continue to work together in law enforcement and judicial cooperation in criminal matters. However, there will be limits to the ease of extradition, cooperation between agencies and the UK's access to some EU databases and information systems.<sup>4</sup> For instance, the European Arrest Warrant no

longer applies to the UK and will be replaced with a less efficient surrender mechanism. The UK's third-country status in the law enforcement agency Europol and legal agency Eurojust leaves it with less influence. And the UK has lost access to the Schengen Information System for security and border management. These limitations have operational implications for the fight against terrorism and cross-border crime, diminishing both sides' efficiency.

The UK may continue to participate in some EU programmes, such as Horizon Europe (although subject to a financial contribution). However, it has dropped out of others, like the Erasmus programme. Finally, the TCA leaves the wider partnership – for example, in the field of security and defence – unaddressed.

## A PRECARIOUS DEAL

In addition to being a thin base for cooperation, it is also a precarious one.<sup>5</sup> The prospect of retaliatory measures – introducing tariffs, potentially terminating (parts) of the Agreement – creates a degree of unpredictability for businesses and individuals. Even now that formal negotiations have concluded, EU–UK relations could end up in a no-deal-like state if and when one party decides to terminate the TCA, or take harsh, unilateral remedial measures which could result in its unravelling.

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Worthy of note is the inclusion of several grace periods, transitional periods and reviews of (parts of) the Agreement, resulting in further precariousness. The temporary easements for trade between Great Britain and Northern Ireland are due to expire in the coming months, creating additional burdens for companies and already leading to demands for their extension. Tensions might also arise from British reservations to the EU's proposal to extend the provisional application of the deal, which will need to be agreed by both sides in the TCA's Partnership Council.

Notably, the adjustment periods on both energy and fisheries end in 2026, creating a link between two areas of economic and/or symbolic importance (and potential leverage for the EU). There is a general review of the Agreement after five years,<sup>6</sup> either party can request to review its trade provisions after four years,<sup>7</sup> and the fisheries' provisions will be reviewed four years after the

end of the adjustment period.<sup>8</sup> In total, there are 13 ways to terminate all or parts of the Agreement.<sup>9</sup> This reveals the dynamic nature of the deal and its lingering precariousness.

The primacy of the UK's sovereignty concerns, both sides' red lines,<sup>10</sup> the lack of bandwidth in the face of the COVID-19 pandemic (which should have resulted in an extension of the transition period),<sup>11</sup> and the unusually short negotiating timescale clearly narrowed the scope and ambition of the negotiations. On the UK side, Prime Minister Boris Johnson's flirtation with a no-deal outcome lowered domestic expectations for getting a deal. By taking the UK to the brink, he created a 'this deal or no deal' narrative. This enabled him to push through an economically damaging deal without any real debate or parliamentary scrutiny. On the EU side, Number 10's approach – particularly the intended breach of the Withdrawal Agreement – caused lasting damage to trust and introduced an element of precariousness to the future relationship.

The loss of trust hardened the EU's resolve to have a robust governance framework. Consequently, the TCA provides a sanctions mechanism and a list of remedial, rebalancing and safeguard measures for quick and harsh retaliation in cases of noncompliance. Particularly on the LPF, the deal provides robust state aid and competition policy regime, going further than what the EU has agreed with any other trading partner. Regarding environmental and labour standard non-regression clauses, these now have enforcement mechanisms that are absent in other FTAs. Taxation remains the weakest out of the LPF provisions, which was inevitable due to the different nature of taxation. If used, the appliance of severe economic penalties could unbalance the whole Agreement.

Dispute settlement mechanisms in the EU's FTAs have rarely been invoked. However, the EU–UK agreement differs from most FTAs in that it manages divergence instead of convergence, in a highly politicised context. It also governs an economic relationship that is highly intertwined and where any noncompliance would have a major impact. The EU will therefore be highly vigilant and place more emphasis on enforcement. This would be aligned with its overall shift towards stronger enforcement, as demonstrated by the recent creation of a Chief Trade Enforcement Officer.

## THE IMPLICATIONS OF A THIN AND PRECARIOUS DEAL

While no deal would have been indefinitely worse, the TCA still falls short of some of the supposed benefits of a deal. Although the new settlement secures tariff-free trade for goods, it significantly disrupts trade. In what are early signs of things to come, UK exporters of fresh produce, such as Scottish fishermen and British meat exporters, are facing damaging export stops, delays and increased costs. Other exporting businesses are opening up subsidiaries in the EU to circumvent the new barriers. Rules of origin requirements are rendering some business models, such as distribution hubs in the UK, unviable.

When it comes to the deal as a platform to build upon, there seems to be little appetite on both sides to add any new area of cooperation or significantly develop the economic settlement – at least, not anytime soon. Take the example of trade in services: any significant easement on trade in services would presuppose the free movement of people and regulatory alignment. These are two red lines the UK is unwilling to cross.

Lastly, despite having reached a deal, an EU equivalence decision on financial services seems more uncertain than ever. And while it is now widely expected that

the EU will grant the UK data adequacy, there is little certainty as to whether this decision will hold up in the future, as it will be reviewed regularly and be subject to challenges at the European Court of Justice.

A no-deal outcome has been averted for now. Nevertheless, the full ramifications of the deal's thinness and precariousness are already becoming apparent for both the economic and political settlements, with further difficulties to come.

## The economic settlement

### THE NEW STATUS QUO

The overall outline of the EU–UK economic relationship has been drawn: the UK is a third country outside of the European Single Market and Customs Union. Consequently, the EU and the UK will be trading on terms that are fundamentally different from before. Considering the extremely short time span between the TCA's publication and entry into force, businesses on both sides barely had any time to familiarise with the new rules,<sup>12</sup> resulting in disruption and even forcing some companies to suspend their activities while awaiting further clarity.

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The narrative of teething problems should not fool businesses: they are facing major structural changes, not temporary difficulties. While there clearly is a need for more guidance to understand new rules, businesses and individuals have no choice but to eventually adapt to a radically different trading reality. Given the political climate and both sides' red lines, the agreed economic settlement may be the most we can expect. Any significant change to the new economic settlement, let alone a renegotiation of the deal, is highly unlikely in the foreseeable future, particularly under the current UK government.

### A DRIP FEED OF MISSED GROWTH, INVESTMENTS AND OPPORTUNITIES

Having a deal is much preferable to no deal, but does not prevent economic disruption. Intentional (e.g. health checks) and/or unintentional non-tariff barriers (e.g.

time lost) are likely to disrupt trade and investment and make cross-border supply chains more cumbersome and costly, in both the short and longer term.

Some of the initial chaos may subside once companies either adapt or decide to simply stop trading with the other side of the Channel altogether due to unviable permanent increase in costs. The full ramifications will only materialise in the long run, particularly as trade volumes and mobility levels are currently lower than usual due to the pandemic, thereby delaying some of the deal's impact. The inclusion of several grace periods to ease parts of the bureaucratic burden temporarily implies that the demands on businesses will grow once these periods end. In addition, some decisions with far-reaching implications for certain sectors have been kicked down the road (e.g. the EU's equivalence decision on financial services) or will be subject to constant reviews (e.g. the EU's equivalence decision on data adequacy),<sup>13</sup> creating further uncertainty and cliff edges for later on.

The economic impact of Brexit is, therefore, less of a big bang and more of a drip feed of missed investments, job relocations and decisions to restructure supply chains. On the UK side, Brexit is expected to eventually reduce trade flows, investments and economic growth, making the island nation relatively poorer in the long run. The UK government's 2018 analysis on the effects of a basic FTA projected a negative difference of -4.9% to UK GDP in 15 years compared to if it would have remained an EU member.<sup>14</sup> London School of Economics' Associate Professor of Economics Thomas Sampson suggests a long-term decrease in EU–UK trade volumes: after a decade, UK exports to the EU will be -36% lower, and -30% lower vice versa, than if the UK would have remained in the Union.<sup>15</sup>

### UNEVEN FALLOUT AND RESPONSE

While the EU will also experience economic fallout, the distribution of costs and benefits will inevitably include a degree of asymmetry (both within the EU<sup>16</sup> and between the EU and the UK). From an EU perspective, the TCA will negatively impact EU companies that trade

with the UK and/or rely on integrated supply chains involving the UK. However, the much larger European Single Market also allows these companies to divert economic activity away from the UK. In fact, there will be some EU companies and sectors that benefit from Brexit thanks to, for example, the elimination of a UK rival in their home market or the relocation of jobs from the UK to the EU.

Businesses will respond to the changes by choosing the (supply) route of least resistance. In many cases, that will mean setting up shop in the EU or bypassing the UK via new routes (e.g. a direct line between Dublin and Amsterdam). While Brexit does still represent a potential welfare loss for the EU economy (and its geopolitical capacities), it also highlights that there will be both winners and losers among EU businesses. In contrast, almost no UK company nor sector will benefit from the departure.

The economic fallout from Brexit will not only lead to a long process of adaptation but also trigger demands for mitigation and government support wherever and whenever structures, companies and people are unable to adjust. For instance, UK fishing businesses that export to the EU have already been promised government support of up to £23 million. The UK government has also pledged to create a £20 million support fund to help smaller businesses.<sup>17</sup> For the EU, the uneven impact of Brexit is reflected in the inclusion of a special €5 billion Brexit Adjustment Reserve in the Multiannual Financial Framework 2021-27. Against the backdrop of the economic fallout resulting from the COVID-19 health crisis, the EU and the UK have already intervened heavily in their economies. They are likely to continue to take further mitigating measures, to counter the double shock that is the pandemic and Brexit.

The extent and shape of the UK's economic response are linked to its choice of economic model. This choice will also impact its economic relationship with the EU. For example, the pursuit of a service-based, low-regulation and low-tax 'Singapore-on-Thames' would limit economic exchange with the EU. In the context of COVID-19 recovery, the UK government will likely test the limits of the TCA, particularly with a view to state aid.

## THE INEVITABILITY OF DIVERGENCE

Whatever future choices the UK makes, its departure from the Single Market and Customs Union marks the starting point for inevitable regulatory divergence. This divergence is the automatic result of the UK leaving the EU's single jurisdiction and ecosystem of common rules. Without binding dynamic alignment, the UK will unavoidably move away from the ever-evolving regulatory net of the Single Market.

While some divergence will simply be a side effect of the act of Brexit itself, the rest will be by design, which is to be expected. Firstly, the economic necessity to boost the UK economy post-pandemic makes strategic divergence,

such as a review of financial services and industrial policy, likely. Secondly, the ideological nature of Brexit will encourage (symbolic) acts of divergence, such as the (now cancelled) plans to review workers' rights.

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The TCA gives the UK the freedom to diverge (albeit at a cost). To what extent it will make use of this freedom comes back to the unresolved tension between market access and regulatory autonomy. For the EU-UK relationship, the question is whether such divergences can be managed at a technical level or will be politicised under the remit of the TCA's rebalancing mechanism. The latter implies severe economic penalties and possibly a tit-for-tat tariff escalation. Overall, while the speed and degree of divergence are still to be determined, Brexit must, by its nature and execution, lead to greater distance between the EU and the UK.

## THE INEVITABILITY OF COMPETITION

No longer being bound by the same rules also increases both parties' perception of the other as a competitor. For example, while the UK will certainly remain a hub for financial and legal services, the EU intends to attract some of these London-based services to its capital markets. Since the end of the transition period, the City of London has seen nearly €6 billion worth of EU share dealing slip away to venues in the EU, as well as the loss of the carbon market.<sup>18</sup>

Financial services were not part of the EU-UK negotiations and, due to some member states' vested interests, there are severe doubts about whether the EU will grant an equivalence decision in the coming months. The inevitability of competition and these vested interests spell an end to a coherent EU position. As a result, it will be more difficult to reach consensus at the EU level – where the competencies for trade lie – on making changes to the new status quo.

# The EU–UK political relationship: Turbulent times ahead

The EU–UK political settlement is even less stable than the economic one. Since the conclusion of the TCA, political tensions have not subsided. In fact, quite the opposite: rows over COVID-19 vaccines and the diplomatic status of the EU Delegation to the UK dominated the first weeks of this year. The harsh economic realities can be expected to keep bleeding into the political relationship and fuel the blame game.

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While the economic and regulatory gap between the EU and the UK will now widen quickly, the current UK government, supported by parts of the UK media, will continue to scapegoat the EU for any negative impacts. The temporary triggering of Article 16 demonstrates how bad decision-making or negligence on the part of the EU or its member states can fuel tensions further. Instead of settling into a constructive relationship, there are a handful of reasons to believe that conflict and friction will continue to dominate the relationship.

## AN UNSTABLE DEAL

The governance of the TCA includes various transitional agreements, review clauses and ways to terminate (parts of) it. In the context of the highly politicised EU–UK relationship, the Agreement’s dynamic nature holds the potential for escalation and instability. Either party can, for example, terminate the Agreement with 12 months’ notice.<sup>19</sup> The fact that Brexiters voted for the Withdrawal Agreement to only then demand its cancellation a few months later should serve as a forewarning. Similarly, the legislation to implement the TCA was also voted through the UK’s House of Commons with little to no parliamentary scrutiny. Once the full ramifications of the deal transpire, the show of relative unity in the Conservative Party and the (reluctant) support from (the majority of) the opposition might wear off.

A review of the TCA is foreseen every five years.<sup>20</sup> This coincides with the EU and UK’s electoral cycles: The next UK general election and European Parliament election will most likely occur in the year before the first review. Prime Minister Johnson might use the prospect of the review to revive old dividing lines; namely, accuse the

opposition of trying to undo Brexit and campaign under the slogan ‘keep Brexit done’.

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For the EU, the first European Parliament election since the UK’s exit will be a potential danger point. By then, the UK economy will be worse off than if it had maintained its EU membership. Nevertheless, the immediate chaos of leaving the Single Market will have subsided, and losses and missed investments will be less visible. If the UK reaches a relative state of stability, this might blur the current perception of Brexit as a self-harm exercise. In which case, the continent’s Eurosceptic parties might jump back on the Brexit bandwagon. Depending on the outcome of the European election, renewed fears of a Brexit domino effect might lessen the EU’s appetite to build on the TCA. In other words, the concurrence of the five-year review and the EU and UK’s electoral cycles might decrease chances for a better deal.

## A DISUNITED KINGDOM

The question of how Brexit will be perceived in hindsight is intricately connected to the future of the UK’s territorial integrity. The Brexit process has put considerable strain on the devolution settlement, particularly on Northern Ireland, as it remains economically closer to the EU’s frameworks than the rest of the UK.

This is also the case for Scotland, which desires a much closer relationship with the EU. Most Scots voted to remain in the 2016 Brexit referendum, and afterwards, preferred a close EU–UK relationship post-Brexit. Consequently, the support for Scottish independence as the only viable route back to EU membership has grown.<sup>21</sup> For now, it is uncertain whether the UK government will be able to turn the tide on the debate on independence.

The political turmoil surrounding the state of the union will bleed into the EU–UK relationship. While Brexit is no longer a priority, the EU might want to pay more attention to the question of how it should respond to

a Scottish request for EU membership. Provided that Scotland becomes independent constitutionally and accepts the terms and conditions of EU membership, Scottish EU membership could become a realistic prospect sooner or later.<sup>22</sup>

## A FRAGILE PROTOCOL

The stability of the Northern Ireland Protocol is intertwined with the stability of the overall EU–UK relationship (and vice versa). The European Commission’s lack of political judgement when triggering – even if just for a few hours – the Protocol’s safeguard measures as part of its response to the row over the supply of COVID-19 vaccines exposed the fragility of the Protocol. The Protocol’s functioning centres on trust, common sense and good communication between all political actors which is in short supply. The incident also shows how the Protocol can get inadvertently swept up in the broader relationship and issues (initially) unrelated to Northern Ireland.

Importantly, the Protocol still needs to be fully implemented, and the situation on the ground is set to become even more difficult. Once the initial grace periods, where companies have received time to adjust to the new rules and requirements (on e.g. health certificates), come to an end, trade between Great Britain and Northern Ireland will become even more cumbersome. Additionally, in the long term, the growing divergence between Great Britain and the EU will impact the regulatory border in the Irish Sea.

Right now, the real complexities on the ground concerning the implementation of the Protocol and the political fallout from the Commission’s (now reversed) decision to trigger Article 16 – including Number 10’s lingering threat to invoke Article 16 and demands for sweeping changes to the Protocol – have become an explosive mix.

It is worth remembering that these frictions surrounding the implementation of the Protocol are unsurprising, particularly as Prime Minister Johnson’s denial of the full effects of what he negotiated impeded preparations on the ground. As Northern Irish academics Katy Hayward and David Phinnemore underline, the implementation of the Protocol will entail considerable adjustment and requires ongoing consultation and deliberation.<sup>23</sup> This difficult process will be at serious risk if the Protocol is used for any political point-scoring in the context of a deteriorating EU–UK relationship.

## AN IDEOLOGICAL BIAS

The latest row about the diplomatic status of the EU’s ambassador to the UK might seem petty at first sight but actually points to a more fundamental problem. Brexit is a deeply ideological project: its hardcore supporters are less concerned with the practicability of the new economic relationship than with the dogma of full sovereignty. This understanding of sovereignty regards nation-states as the main actors in the international arena. It rejects any binding, institutionalised

cooperation with the EU and, in some cases, even the concept of the EU and its legitimacy as a global actor.

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The economic necessity for cooperation tempers these ideological views. Nonetheless, there is a danger that the continued, illusive pursuit of sovereignty and control will undermine the wider political benefits that could be derived from the TCA.

## A SHARED GLOBAL AGENDA

Overall, this does not bode well for the broader EU–UK relationship. In terms of longer-term cooperation, there are many areas where both parties share interests, be it in multilateralism, climate change, sanctions, a stable European neighbourhood, or relations with the US and China. Nevertheless, cooperation outside the framework of EU membership will inevitably be more difficult than before.

The UK is not interested in cooperating closely with the EU’s institutions or creating new frameworks with the Union. If and when disagreements in these areas of shared interest arise, it is not at all certain whether or where they could be resolved. There is no mechanism for dispute resolution in these areas, implying a need for constant dialogue instead. However, the lack of institutionalised, regular exchanges makes it more difficult to anticipate and iron out differences in opinion and conflicting approaches (on e.g. the use of sanctions, access for Chinese companies).

Although this does not mean that the UK will act in isolation, its vision of a ‘Global Britain’ that is “more outward-looking, more engaged with the world than ever before”<sup>24</sup> seems to be emphasising commonalities and opportunities for cooperation with other regions of the world, such as the Indo-Pacific, more than with the EU. Nevertheless, upcoming events like the UN Climate Conference at the end of this year require a joint European approach and are an incentive for practical cooperation.

To a certain extent, EU–UK cooperation will also depend on the state of EU–US relations. Global issues require global alliances, and the revitalisation of broader ‘Western alliances’ on, for example, climate change might allay ideological concerns about close EU–UK cooperation. However, wherever and whenever there is tension between EU and US positions (on e.g. relations with China), the UK government might be inclined to side with the US automatically.

# The outlook

Now that the overall outline of the EU–UK relationship is determined, a perception of stability has been reached. From the EU’s perspective, the TCA safeguards its vital interests and thus provides some sort of closure to the Brexit affair. Consequently, the relationship will be relegated to a third-order issue that is no longer central to the EU’s priorities.

Meanwhile, the UK will experience the harsh reality of trading and dealing with the EU as a third country. This will most likely lead to demands from affected UK businesses, sectors and individuals to improve the terms of the economic settlement. However, given both sides’ red lines and the EU27’s vested interests, there is little prospect for any bold changes regarding the economic partnership.

Despite the rather static economic settlement, the overall relationship has only just started to take shape. The precarious nature of the deal implies that friction and conflict will feature prominently in the political relationship. Tackling global challenges jointly will be more difficult.

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Both the EU and the UK must invest more to extract the poison and rebuild trust in the relationship, in the pursuit of common global interests. However, the current UK government might not do so in the belief that Brexit only means Brexit if it results in a clear separation from the EU. The EU, on the other hand, might neglect the relationship, as the UK no longer registers in its thinking about the future of Europe. There is the need more than ever to strengthen exchange and cooperation at all levels of society to counteract these tendencies of mutual estrangement. As such, it is all the more disappointing that the UK has ended its participation in the Erasmus programme.<sup>25</sup>

On the positive side, the TCA foresees a parliamentary assembly as well as a civil society forum. If taken seriously, both could be important tools for greater mutual understanding and cooperation. It would also help to scrutinise the implementation of the TCA. So far, processes, debates and decisions on the UK side have lacked transparency and the engagement of a wide range of societal actors, partly due to the polarised politics surrounding Brexit. It thus remains to be seen to what extent the UK government wishes to engage with these tools of parliamentary and civil society engagement.

Given the UK government’s possible lack of buy-in for institutionally driven initiatives, bottom-up links via think tanks, academia, scientific communities and activist networks will also be important. In response to this, the European Policy Centre has initiated the ‘EU–UK track 2 process’, establishing a permanent informal mechanism to continue to develop the EU–UK relationship.

This is the beginning of a new stage in the process of redefining post-Brexit EU–UK relations. The relationship remains important, also beyond the remit of the TCA, particularly regarding joint action on global challenges. Therefore, it will be important to invest in this relationship and ensure constructive cooperation in areas of mutual interest. This would lessen the likelihood of the deal collapsing, the UK propelling over the cliff edge after all, and both sides being damaged.

- <sup>1</sup> See European Council (2018), [European Council \(Art. 50\) \(23 March 2018\) – Guidelines](#), EUCO XT 20001/18, Brussels.
- <sup>2</sup> European Commission (2019), [Revised text of the Political Declaration setting out the framework for the future relationship between the European Union and the United Kingdom as agreed at negotiators' level on 17 October 2019, to replace the one published in OJ C 661 of 19.2.2019.](#), TF50 (2019) 65, para.3.
- <sup>3</sup> Ward, Matthew (2020), ["Statistic on UK-EU trade"](#), UK Parliament, London.
- <sup>4</sup> Davies, Gemma (2020), ["Judicial cooperation and law enforcement in the Brexit deal"](#), London: The UK in a Changing Europe.
- <sup>5</sup> Wachowiak, Jannike (2020), ["The implications of a no-deal Brexit for the EU"](#), Brussels: European Policy Centre.
- <sup>6</sup> ["Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community of the One Part, and the United Kingdom of Great Britain and Northern Ireland, of the Other Part"](#) (2020), Art.FINPROV.3.
- <sup>7</sup> *Ibid.*, Art.9.4.
- <sup>8</sup> *Ibid.*, Art.FISH.18.
- <sup>9</sup> Usherwood, Simon, ["A guide to the structure and the termination options of the TCA"](#), *Twitter*, 25 January 2021.
- <sup>10</sup> Particularly the UK's decisions to leave the Single Market and Customs Union and to reject oversight from the European Court of Justice, as well as the EU's insistence on no cherry-picking.
- <sup>11</sup> Zuleeg, Fabian; Tobias Lock; and Jannike Wachowiak (2020), ["The Brexit transition extension 2.0"](#), Brussels: European Policy Centre.
- <sup>12</sup> However, some businesses still benefit from a six-months grace period, as the UK will only then introduce full import controls on goods coming from the EU.
- <sup>13</sup> It is now widely expected that the EU will grant the UK data adequacy. However, this decision will be reviewed regularly and can be challenged by the European Court of Justice. See Espinoza, Javier and Michael Peel, ["Brussels to allow data to continue to flow to UK"](#), *Financial Times*, 15 February 2021.
- <sup>14</sup> UK Government (2018), ["EU Exit: Long-term economic analysis \(Command Paper\)"](#).
- <sup>15</sup> Sampson, Thomas (2021), "Brexit and UK trade: What next?" in *The UK in a Changing World* (ed.), ["Brexit and Beyond"](#), London.
- <sup>16</sup> Mattelaer, Alexander (2020), ["The geographically asymmetric impact of Brexit"](#) in Aktoudianakis, Andreas; Przemysław Biskup; Benjamin Bodson; Andreas Eisl; Elvire Fabry; Agata Gostyńska-Jakubowska; David Henig; Kirsty Hughes; Juha Jokela; Carsten Jung; Rem Korteweg; Alexander Mattelaer; Anand Menon; Jonathan Portes; Nicolai von Ondarza; Jannike Wachowiak; Alan Wager; and Fabian Zuleeg, ["Towards an ambitious, broad, deep and flexible EU-UK partnership?"](#), Brussels: European Policy Centre.
- <sup>17</sup> Thomas, Daniel, ["Small businesses to be offered grants to cope with Brexit disruption"](#), *Financial Times*, 11 February 2021.
- <sup>18</sup> Stafford, Philip, ["EU share trading flees London on first day after full Brexit"](#), *Financial Times*, 04 January 2021a; Stafford, Philip, ["ICE to shift EU carbon trading from London to Amsterdam"](#), *Financial Times*, 08 February 2021b.
- <sup>19</sup> ["Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community of the One Part, and the United Kingdom of Great Britain and Northern Ireland, of the Other Part"](#) (2020), Art.FINPROV.8.
- <sup>20</sup> *Ibid.*, Art.FINPROV.3.
- <sup>21</sup> Hughes, Kirsty (2020), ["Scotland, independence and Brexit"](#) in Aktoudianakis, Andreas; Przemysław Biskup; Benjamin Bodson; Andreas Eisl; Elvire Fabry; Agata Gostyńska-Jakubowska; David Henig; Kirsty Hughes; Juha Jokela; Carsten Jung; Rem Korteweg; Alexander Mattelaer; Anand Menon; Jonathan Portes; Nicolai von Ondarza; Jannike Wachowiak; Alan Wager; and Fabian Zuleeg, ["Towards an ambitious, broad, deep and flexible EU-UK partnership?"](#), Brussels: European Policy Centre.
- <sup>22</sup> Zuleeg, Fabian (2019), ["The EU's Scottish question"](#), Brussels: European Policy Centre.
- <sup>23</sup> Hayward, Katy and David Phinnemore, ["Protocol on Ireland/Northern Ireland Protocol: Article 16"](#), *agendaNi*, February 2021.
- <sup>24</sup> Johnson, Boris, ["The rest of the world believes in Britain. It's time that we did too"](#), *The Telegraph*, 15 July 2018.
- <sup>25</sup> Jones, Hywel Ceri (2021), ["Exiting Erasmus is an avoidable mistake"](#), Brussels: European Policy Centre.
- <sup>26</sup> Throughout the Brexit process, the European Policy Centre (EPC) carefully monitored, analysed and provided recommendations on the ongoing negotiations and the political, social and economic implications for the EU. More broadly, it studied what Brexit might mean for the EU's future relations with the UK as a third country and the future of Europe. The EPC worked closely with the European Commission's Task Force for Relations with the United Kingdom, including the coordination of the Brexit Think Tank Group to facilitate an ongoing exchange between the Task Force and the policy community. The Group provided insights and expertise on the UK's future relationship with the EU, including the publication of two books on the level playing field and the long-term implications of Brexit on EU–UK relations. Having coordinated and fostered this exchange over the last four years, the EPC has established a track 2 process to continue these past activities. This initiative will provide a forum to float new ideas, and a safe space for critical, expert input on areas of EU–UK cooperation that require long-term thinking and strategic positioning. The EPC kicked off this process with a high-level, online conference in November 2020. Please feel free to contact Jannike Wachowiak for more details on the initiative.

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