

REPORT

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Options for Future UK-EU Relations: Business Consultation Findings

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Foreword by Lillian Jones MP, Chair of the UK Trade and Business Commission



On 20 November, leaders will meet for the second UK-EU Summit. The UKTBC supports the progress being made through these annual Summits and looks forward to assessing the final deals against the recommendations we have published in the last twelve months. The UK Government deserves real credit for the sustained diplomatic effort behind these agreements and the benefits they will bring for businesses and consumers.

Beyond the Summit, it is welcome that the Prime Minister has started a conversation about the long-term UK-EU relationship. Options that were off the table for years can now reenter the debate: a Customs Union, the Single Market, and even full membership. As a cross-party, cross-industry body, the UKTBC opened a consultation into each of those options - and the current approach - to ensure business' voices were heard in that debate.

Nearly 150 businesses responded, and what they told us was striking. Just one in ten said the current approach to our relationship with the EU was having a positive impact. The closer the relationship being offered, the more positively businesses rated it. Four in five said that Single Market participation would have a positive impact, and the same proportion said so for full membership. Three-quarters rated membership the highest of the four options. A minority favoured current arrangements (10%) or a Customs Union (20%), and this report reflects their views too.

Behind those numbers are businesses for whom Brexit changed everything. A small craft store in Nottingham lost a third of their business overnight due to customs charges. A global fruit supplier in Kent can no longer export soft fruit which has a shelf life of days to the EU. In my constituency, a petfood company told us that exporting is now 'not practical', and a sports equipment manufacturer told us that freedom of movement would help them train and develop staff.

Some businesses are wary of the costs and uncertainty that could come with reopening the question. But continuing as we are also carries a heavy price. The UK Government has reset the tone of our relationship with our closest neighbours and begun to remove some existing barriers to trade. In this next phase, the UK Government must work with business on the economic and regulatory implications of more ambitious options, and show the political leadership to chart a path forward that will help deliver growth in every postcode.



Lillian Jones MP
Chair, UKTBC

Key findings

1. **Businesses broadly welcomed efforts to reset relations with the EU,** including the anticipated benefits of upcoming deals on agrifood (SPS), emissions trading (ETS) and youth experience (YES). Businesses expected the agreements to cut red tape at the border for impacted sectors, which in turn should ease pressure on prices for consumers downstream of them. The UKTBC finds that the UK-EU relationship reset provides a firm foundation for the next phase of the relationship.

2. **However, it was clear that many businesses saw the current approach as insufficient for the scale of the challenges they face.** Of all the available options, the status quo was the least popular: only 10% of businesses rated it positively. The UKTBC finds that the incrementalist approach of the reset is unsustainable in the long term. The UK Government should therefore drop its red lines on Europe (which rule out a Customs Union, joining the Single Market, or returning to freedom of movement).

3. **Although a Customs Union would remove some barriers, most businesses said that major frictions would remain.** Some raised concerns about the loss of UK independent tariff policy. 51% rated this option positively.

4. **Businesses said that joining the Single Market would remove most barriers to trade**, and 81% rated it positively. However, they said it could raise questions about the UK following EU rules without a formal say. Many felt this was a political judgment for the UK Government, rather than a question for industry.

5. **Membership would combine the benefits of a Customs Union and the Single Market. 82% of businesses rated it positively, and 76% of businesses ranked it highest.** It would guarantee access to EU programmes and funding. It would mean UK firms are included by default in new European preference rules. Businesses raised some concerns, including about the cost and feasibility, plus the need for a democratic mandate. They felt that again these were political questions outside their remit.

6. **Aligning with EU rules, as required in Single Market and full EU membership scenarios, did not register as a top concern for business**, in either goods or services.

7. **As the UK Government explores the future UK-EU relationship, it should continue to engage business on the economic and regulatory implications of each option.** However, every model for further integration raises political and constitutional questions, and businesses may be reluctant to weigh in on those issues.

Table of Contents

1. Context and methodology....4
1.1. Context....4
1.2. Methodology....4
1.3. Headline consultation results....5
2. The current approach....7
2.1. Meaningful improvements under the UK-EU relationship reset....7
2.2. Persistent trade barriers....8
2.3. Limitations of the current approach....11
2.4. Priorities for the relationship moving forward....12
3. A Customs Union....13
3.1. Benefits....14
3.2. Risks....15
3.3. UKTBC assessment....16
4. The Single Market....17
4.1. Benefits....17
4.2. Risks....18
4.3. UKTBC assessment....20
5. Full membership....21
5.1. Benefits....22
5.2. Risks....23
5.3. Regulatory divergence....25
5.4. UKTBC assessment....26

1. Context and methodology

1.1. Context

On 29 September 2026, the Prime Minister stated his intention to use the next UK-EU Summit (20 November) to lay out the 'different options [...] for Britain's long-term relationship' with the EU[1]. In subsequent interviews, the Prime Minister suggested that options available to the UK included maintaining the status quo, negotiating a Customs Union, joining the Single Market, or going 'all the way' with EU membership[2].

In response, the UK Trade and Business Commission (UKTBC) opened a business consultation into those four options. The consultation ran from 19 October to 6 November 2026.

1.2. Methodology

The consultation covered two areas. First, the UKTBC sought business views on the current state of the UK-EU trading relationship. This included the UK-EU Trade and Cooperation Agreement, which entered into force in 2021, as well as the UK Government's approach since taking office (known as the UK-EU relationship reset). Since 2024, the UK Government has sought to improve UK-EU relations within a series of red lines that rule out membership of a Customs Union or the Single Market, or a return to freedom of movement.

Second, the UKTBC asked businesses to consider the options for deeper integration beyond those red lines and weigh the benefits, trade-offs, and risks of each. In representing their views, this report addresses several issues that frequently arise in the debate on UK-EU trade, including the UK's freedom to negotiate its own trade agreements and its ability to regulate in its own interests. The report also reflects on the extent to which business can, and should, shape the conversation on the UK's long-term relationship with the EU as it evolves.

The UKTBC received 145 responses to its online written consultation. Businesses were asked for their views on:

- The **current barriers** impacting trade with the EU;
- The **impact that each relationship option** would have on their business or members;

[1] Labour, Andy Burnham's speech to Labour Party Conference 2026, 29 September 2026
[2] Guardian, Andy Burnham: UK could 'go all the way' by rejoining EU, 30 September 2026

- The barriers that each option would **resolve,** and those that would **remain**; and
- Their **key priorities and concerns** should the long-term UK-EU relationship change.

Respondents were also asked to rate each option on a scale of 1 to 7, according to its likely impact on their business or members, where 1 meant 'significantly negative' and 7 meant 'significantly positive'.

In addition, the UKTBC held two private roundtables under the Chatham House rule, one on goods and one on services, attended by around 20 business representative organisations and companies in total. Discussion followed the themes of the written consultation.

Finally, the UKTBC held a public evidence session on 12 November titled 'Options for the UK-EU Long Term Relationship'. Witnesses Ian Bond (Centre for European Reform) and Professor Michael Gasiorek (Centre for Inclusive Trade Policy) gave evidence on the benefits, risks, and trade-offs associated with each option for deeper integration[3].

1.3. Headline consultation results

Table 1 sets out, at a high-level, the scores that the 145 respondents to the written consultation gave each option.

Table 1: Written consultation respondents' ratings of each option

	Average score (out of 7)	Rated positively (%)	Ranked highest (%)
Description	*Mean average (1 = significantly negative, 7 = significantly positive)*	*Business scored the option between 5 and 7*	*Business scored the option highest or joint highest*
Current Approach (Red Lines)	**2.6**	**10%**	**10%**
Customs Union	**4.4**	**51%**	**20%**
Single Market	**5.4**	**81%**	**41%**
Full Membership	**5.8**	**82%**	**76%**

[3] UK Trade and Business Commission, Options for the UK-EU Long Term Relationship, 12 November 2026

2. The current approach

Five years after the Trade and Cooperation Agreement (TCA) entered into force, the significant trade barriers that it left in place still hold back UK exports to the EU. While the UK-EU relationship reset has already succeeded in improving relations, it is clear that the approach cannot meet the scale or urgency of the challenge facing UK companies today.

2.1. Meaningful improvements under the UK-EU relationship reset

Several businesses stated they expect the conclusion of sector-specific deals at the next UK-EU Summit to address a number of trade barriers they are currently facing. Several businesses highlighted the potential benefits of a concluded Sanitary and Phytosanitary (SPS) agreement[4], provided the UK Government offers clear communication about its scope and application:

> *"One of the biggest barriers to trade and flow of products across the EU and UK are any regulatory differences and differences in interpretation in regulation - which we hope that the SPS negotiations will resolve. It is challenging for our members, particularly SMEs to navigate different rules or interpretations ."*
>
> **Anonymised submission, UK food and drink trade body**

> *[The SPS agreement] "will greatly reduce barriers to trade with the EU which is key for many of our members. It will also make trading with Northern Ireland easier, including for Rest of World (RoW) origin products [...]*
>
> *"We have concerns that dynamic alignment of UK to EU legislation means loss of the UK's regulatory independence, especially with regard to our rest of world imports which have benefitted from more proportionate import controls under the Border Target Operating Model (BTOM). Businesses urgently need clear and detailed guidance on what legislation is in scope for dynamic alignment under the SPS deal."*
>
> **International Meat Trade Association, representing predominantly UK companies importing and exporting meat**

In the private roundtables in particular, trade bodies identified areas of friction that should be resolved through the UK-EU relationship reset, which included (on top of the SPS deal): the avoidable costs caused by the EU's Carbon Border Adjustment Mechanism (CBAM), which emissions trading scheme linkage could resolve; and the inefficiency of electricity

[4] See also UK Trade and Business Commission, The UK-EU SPS Agreement, 11 May 2026

trading arrangements between the UK and EU, which UK participation in the EU's Internal Electricity Market (IEM) could resolve[5]. There was strong support in the services sector for a Youth Experience Scheme, provided it gave participants from both the UK and EU the right to work across a broad range of sectors[6].

The Common Understanding agreed at the first UK-EU Summit committed both sides to negotiate agreements on these issues[7]. A package is expected to be announced at the next Summit on 20 November 2026 (with an IEM agreement likely to be announced later). The UK Government deserves credit for the progress made at and since the first UK-EU Summit in May 2025 to address business concerns.

1. **Businesses broadly welcomed efforts to reset relations with the EU,** including the anticipated benefits of upcoming deals on agrifood (SPS), emissions trading (ETS) and youth experience (YES). Businesses expected the agreements to cut red tape at the border for impacted sectors, which in turn should ease pressure on prices for consumers downstream of them. The UKTBC finds that the UK-EU relationship reset provides a firm foundation for the next phase of the relationship.

2.2. Persistent trade barriers

However, responses to the consultation suggested that the current approach (the TCA, combined with the agreements under negotiation since May 2025) is unlikely to give businesses the access they need to the EU, the UK's largest export market, in the long term.

Broadly, businesses were dissatisfied with the current trading arrangements: only 10% rated them positively (meaning they scored them 5-7 out of 7). It scored an average of 2.6 out of 7.

[5] See also UK Trade and Business Commission, UK-EU Energy Cooperation, 13 July 2026.
[6] See also UK Trade and Business Commission, The UK-EU Youth Experience Scheme, December 2025
[7] UK Government, UK-EU Summit - Common Understanding, 19 May 2025

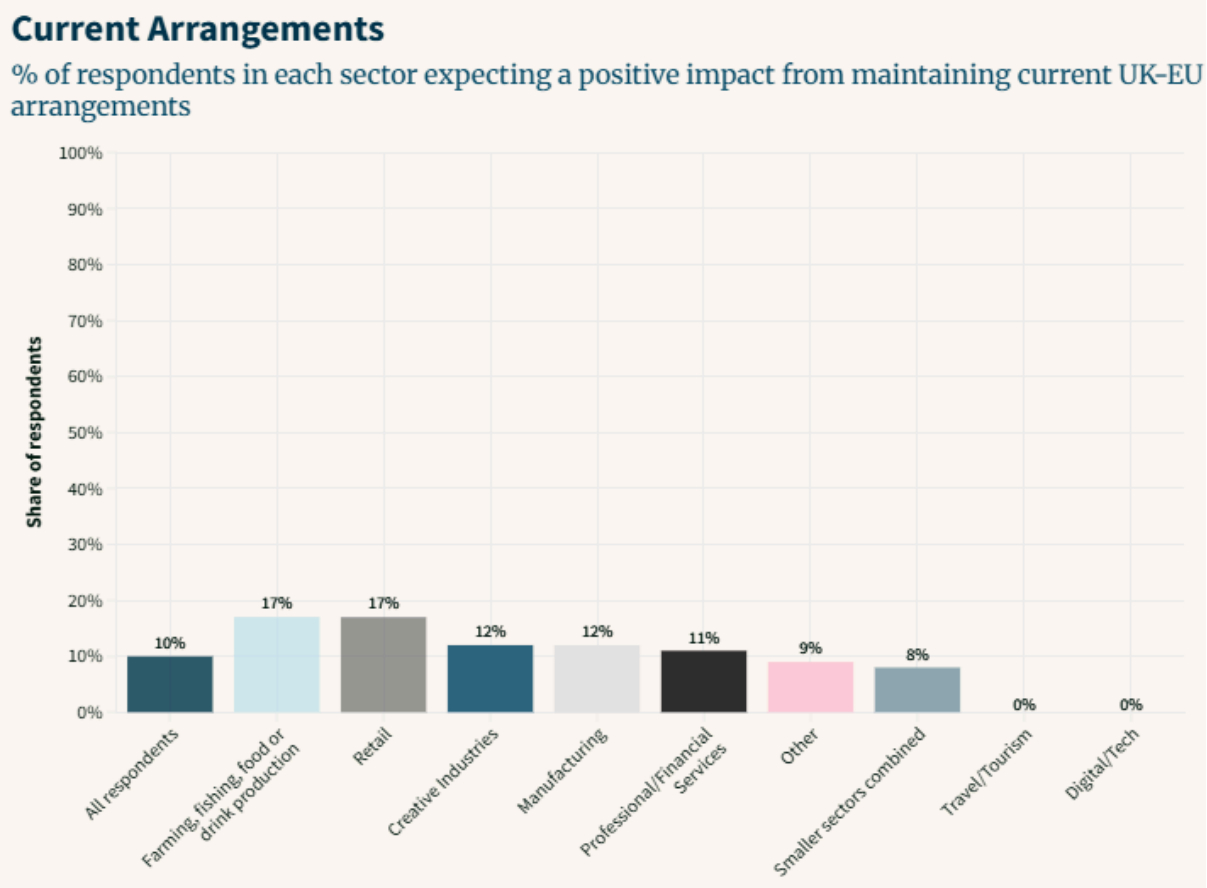


Figure 1: Percentage of respondents in each sector expecting a positive impact (scored 5 to 7) from maintaining current UK-EU arrangements

The TCA is a zero-tariff, zero-quota agreement. Yet this has not prevented a sharp fall in UK goods exports to the EU. In 2025, they were 14% lower than 2019 levels in real terms[8]. This can be attributed primarily to the persistence of non-tariff barriers. The UK-EU relationship reset should address some of these barriers. But the gains will be modest, as many regulatory goods barriers were not included on the agenda for UK-EU discussions.

Businesses identified several barriers to goods trade that hamper their exports, such as the need to produce import and export declarations at the border, and the administrative burden and expense of customs checks and charges.

> *"EU customers don't want the hassle of having to deal with paperwork for importing from the UK. The additional paperwork required now means everything takes longer."*
>
> **Ellutia, scientific instrumentation company in the East of England**

[8] House of Commons Library, Statistics on UK-EU trade, 12 June 2026

"We lost a third of our business overnight when our European customers had to start paying customs charges."

The Bead Shop, independent retailer in the East Midlands

"Imports from Italy and exports to both [Northern Ireland and the Republic of Ireland] are more complex now than ever with regard to paperwork and certification charges."

W & J Knox Ltd, textiles manufacturer in Ayrshire, Scotland

Businesses also raised issues around duplicated testing and certification costs, which create a financial and administrative burden. A mutual recognition agreement on conformity assessment would resolve those issues[9] but, despite the UK and the EU having such agreements with Canada and Japan, no UK-EU agreement has been reached.

Services exports to the EU have held up better than goods exports. In 2025, they were 28% above their 2019 level in real terms[10]. However, they remain below their potential: The Centre for European Reform estimated that they were still 7% lower than they would have been had the UK remained in the EU[11].

Businesses identified several barriers to services trade that arose from the UK leaving the EU that had yet to be addressed. Although dedicated dialogues on mutual recognition of professional qualifications and business mobility were announced at the 2025 UK-EU Summit, little progress has been made in either area.

"[T]he limitations of the current trading relationships between the UK and EU, including the Trade and Cooperation Agreement (TCA), have created new barriers for UK travel businesses providing holidays in Europe. The most significant of these barriers concerns the mobility of staff – the ability of UK travel businesses to hire UK nationals to work in the EU and support the delivery of holidays to UK travellers."

Seasonal Businesses in Travel, not-for-profit organisation representing over 120 UK-based outbound travel and service companies

"The Law Society welcomes the improved relationship established with the EU following the UK Government's reset. However, the reset has so far been unable to produce any legally binding commitments which address the significant barriers UK law firms face when exporting services to the EU."

[9] UKAS, Call to action: Developing a framework for an EU-UK mutual recognition agreement, October 2026
[10] House of Commons Library, Statistics on UK-EU trade, 12 June 2026
[11] Springford and Spisak, The costs of separation, 22 June 2026

The Law Society of England & Wales, the professional body for solicitors in England and Wales

In addition to barriers that have existed since the TCA was agreed, businesses raised emerging issues that could further harm UK-EU trade. Most notably, the EU's proposed Industrial Accelerator Act, published in March 2026, could make access to public procurement and subsidies conditional on Union-origin (or 'Made in Europe') requirements[12]. The proposal has yet to be finalised, but it could require products to contain a minimum share of EU content or to be assembled in the EU to be eligible. This reflected a wider trend in EU policy towards shielding its industrial base from global overcapacity.

The approach is spreading beyond manufacturing, with industry identifying other areas where protective measures were being introduced to boost domestic industrial capacity and mitigate against strategic vulnerabilities The Commission's proposed Cloud and AI Development Act, published in June 2026, would require cloud services hosting data for public authorities to host data within the EU, and would restrict services handling particularly sensitive from third-country (non-EU) control[13]. If these trends continue, they could pose a significant threat to key UK industries, such as the automotive, energy and defence sectors[14].

"The other threat on the horizon comes from the 'Made In' provisions in the EU's Industrial Accelerator Act and Public Procurement Act. Both give the EU the ability to exclude non EU manufactured input into critical products."

Anonymised submission, trade body in the manufacturing sector

2.3. Limitations of the current approach

While the UK-EU relationship reset is welcome, the UKTBC draws a number of conclusions about its limitations.

First, the TCA and UK-EU relationship reset have left a significant number of gaps. Several priorities that respondents identified are expected to remain off the agenda, including mutual recognition of conformity assessment and business mobility. The current approach allows the UK to choose where to pursue closer integration with the EU, but the more it progresses, the more it encroaches on the indivisibility of the 'four freedoms' of the EU Single Market (goods, services, labour, capital). The EU has previously indicated that

[12] European Commission, Industrial Accelerator Act, 4 March 2026
[13] European Commission, Cloud and AI Development Act, 5 November 2026
[14] UK Trade and Business Commission, The Made in Europe Agenda, 12 October 2026

the SPS, ETS, and YES deals expected to be revealed at the 20 November UK-EU Summit constitute the limit of EU27 member state flexibility on these four freedoms.

Second, the current approach is moving too slowly to meet the scale of the domestic and international challenges facing UK industry. Each annual Summit can only advance a limited number of priorities, and it takes time for business to feel the benefits. For example, the SPS deal is not expected to come into full force until 2028[15], three years after the commitment was made at the 2025 UK-EU Summit. Meanwhile, a growing trend towards protectionism - both in the EU and globally - is creating new barriers faster than the current approach can remove them, and raises the cost of being outside the EU. More ambitious options would bring many sectors into negotiation at once, rather than one at a time. EU membership in particular would give UK businesses the certainty of being inside - rather than outside - new Union-origin requirements, such as those proposed in the Industrial Accelerator Act.

Finally, moving away from the negotiation red lines that have defined the UK-EU relationship reset approach could strengthen the UK's negotiating hand. The EU has treated the commitments in the May 2025 Common Understanding as a package, seeking to agree them together and, in some cases, seeking trade-offs across areas of negotiation. It has also sought financial contributions in return for participation in EU programmes. That is reasonable in principle, but agreeing contributions for each deal has proven challenging: it was the reason that talks on UK participation in SAFE collapsed[16]. More ambitious options would change the dynamic. More ambitious options for integration would likely require a bigger overall financial contribution, but could offer better value for money than agreeing separate budgetary contributions for separate, and narrower, arrangements.

> *"I'm not sure this [status quo] approach was ever fit for the challenges it faced by the time the Labour Government took office and was in a position to implement it.*
>
> *"The world had changed pretty dramatically after the Russian invasion of Ukraine, and what we saw was increasingly our adversaries were working together, but we were putting limits on the extent to which we could work with our closest partners - so yes, I think it [status quo] has definitely run its course. Arguably, it had already run its course by July 2024 and we need to find a new approach now."*
>
> **Ian Bond, Deputy Director, The Centre for European Reform**

The UK Trade and Business Commission therefore takes the view that the UK Government is likely reaching the ceiling of what can be achieved within the current approach.

[15] Guardian, UK and EU agree deal to remove Brexit checks, 3 November 2026
[16] Guardian, Talks for UK to join EU defence fund collapse, 28 November 2025

2. **It was clear that many businesses saw the current approach as insufficient for the scale of the challenges they face.** Of all the available options, the status quo was the least popular: only 6% of businesses rated it positively. The incrementalist approach of the reset is unsustainable in the long term. The UK Government should therefore drop its red lines on Europe (which rule out a Customs Union, joining the Single Market, or returning to freedom of movement).

2.4. Priorities for the relationship moving forward

Businesses were asked to identify their top priorities for the relationship moving forward. **Overall, their key priority was 'lower costs and less paperwork' (ranked top for 35% of respondents).** Regulatory certainty and access to EU customers and services were jointly the next most popular (20%).

Table 2: Key priorities for future relationship

Priority	Ranked #1
Lower costs and less paperwork at the border	35%
Regulatory certainty and stability	20%
Access to EU customers for services	20%
Access to skills and staff	10%
Inclusion in EU supply chains and industrial policy	9%
Freedom for the UK to set its own trade policy	4%
Freedom for the UK to set its own regulation	1%

Businesses were also asked their key concerns for the relationship moving forward. Half (50%) identified none of the issues as a concern. Of those who did flag a concern, half of these (25%) cited 'costs and uncertainty during a transition'.

Table 3: Key concerns for future relationship

Priority	Ranked #1
None of these	50%
Costs and uncertainty during a transition	25%
Financial contributions to the EU	8%
Following EU rules on an ongoing basis	8%
Loss of independent UK trade policy	8%
A role for the Court of Justice of the EU	2%

3. A Customs Union

A Customs Union would remove specific barriers to trade in goods. This would have some minor knock-on benefits for services exporters, especially in the digital and technology sectors, but major barriers to services trade would remain.

Respondents scored this option 4.4 out of 7 on average. Only 20% of respondents ranked a Customs Union highest of the four options. Half (51%) scored it positively, though support was stronger in the manufacturing sector (70% positive view) and weaker in the creative industries (24% positive) and travel/tourism sectors (14% positive).

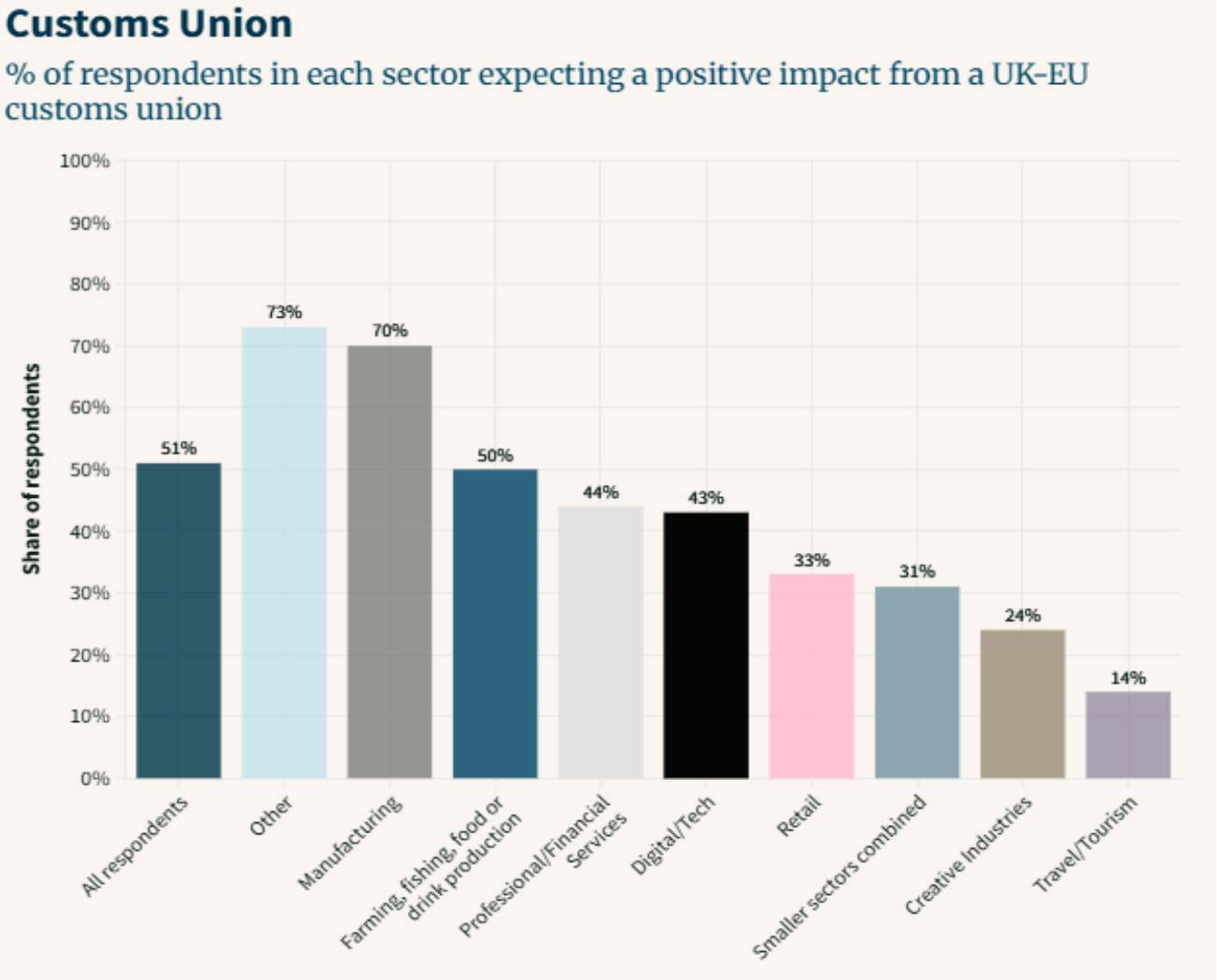


Figure 2: Percentage of respondents in each sector expecting a positive impact from a UK-EU Customs Union

3.1. Benefits

A Customs Union would remove rules of origin requirements (the levels of UK or EU content a product must contain to qualify for zero tariffs) and paperwork, as well as any tariffs currently paid on goods that don't meet rules of origin requirements. The textiles, automotive, and materials sectors could see particular benefits, because the TCA's Rules of Origin are, on average, more restrictive in those sectors than in other UK FTAs[17]. A Customs Union could make consumer goods such as clothing less expensive, by removing tariffs that retailers pay on EU-branded imports manufactured outside the EU:

> *"Our biggest problem is suppliers adding costs because many European-brand shoes are made outside the EU and so don't qualify for tariff-free trade. A Customs Union would remove that, as goods already in the EU could come into the UK without tariffs or origin checks. That should take a layer of cost out of our buying prices and ease the choice between raising prices and squeezing margins."*
>
> **SoleLution, footwear company, south west of England**

3.2. Risks

The UKTBC's consultation raised three main concerns regarding a UK-EU Customs Union.

First, without Single Market access, significant border frictions would remain. While a Customs Union eliminates tariffs and rules of origin requirements, goods exporters would need to submit import and export declarations, regulatory paperwork, and undergo potential physical checks[18]. This would reduce the benefits of an agreement for business.

A Customs Union would be unlikely to shield UK industry from EU trade defence measures, such as the steel quotas introduced in July 2026[19]. It would not automatically provide protection from new EU-only initiatives such as the upcoming Industrial Accelerator Act, as demonstrated by Turkey (which has a Customs Union agreement with the EU) seeking to have its automotive sector and supply chain included as 'Union-origin' in the draft Industrial Accelerator Act[20]. The UK Government would struggle to present a Customs Union as a frictionless border, and industry support might be more qualified as a result.

[17] Ayele et al., 'Trade preference utilization post-brexit: the role of rules of origin', 5 September 2023
[18] UK in a Changing Europe, 'Is a Customs Union worth it?', 10 December 2025
[19] European Commission, New EU safeguards on steel imports from third countries, 30 June 2026
[20] Financial Times, UK and Japan seek to fully benefit from 'Made in Europe', 15 September 2026

"A Customs Union could reduce the cost and administration of trading with the EU by removing tariffs and rules of origin checks [...] However, it would not by itself remove regulatory checks or resolve import VAT procedures and courier handling charges. We have had EU customers refuse delivery because of additional charges, so addressing these costs and making the final price clear would also be important."

"We therefore see this as a positive step, although it would not resolve all the barriers affecting our EU online sales."

Anonymised submission, Scottish knitwear company

Second, a Customs Union would do little for services, which account for 82% of total UK economic output[21]. The TCA contains limited commitments on services trade, and professional and financial services have so far been left off the UK-EU relationship reset agenda. A Customs Union would leave these barriers untouched. Consultation responses supported this: support was lower in services sectors than goods sectors (Figure 2).

Third, the UK would lose its independent trade and tariff policy. It would need to renegotiate its post-Brexit trade deals. The impact would vary by sector: for example, the UK-India Free Trade Agreement secured significant tariff reductions for Scotch whisky which would likely need to be revisited[22]. However, it should be noted that the EU concluded its own trade agreement with India in early 2026 which includes a more generous tariff liberalisation than the offer secured by the UK (reflecting the EU's greater economic leverage)[23].

"Since we left the EU, the UK has introduced its UK Global Tariff which reduces tariff lines and simplifies tariff lines on thousands of products. It has also signed Free Trade Agreements with a number of countries (India, Australia, New Zealand, CPTPP, Japan and so on). If we formed a Customs Union with the EU, all of that would have to be unpicked, renegotiated and so on for the benefit of not requiring rules of origin [on UK-EU trade]"

Professor Michael Gasiorek, Director of Centre for Inclusive Trade Policy and Professor of Economics at the University of Sussex

[21] House of Commons Library, Services industries: economic indicators, 5 October 2026
[22] BBC, What India-UK trade deal could mean for shoppers, 14 July 2026
[23] European Council on Foreign Relations, It's the (geo)economy stupid, 28 January 2026

3.3. UKTBC assessment

The UKTBC's view is therefore that a UK-EU Customs Union on its own would not address many of the frictions that businesses identified in our consultation. It would do little to support export growth in the services sector, and the UK Government would need to address concerns about the loss of independent trade and tariff policy.

3. **Although a Customs Union would remove some barriers, most businesses said that major frictions would remain.** Some raised concerns about the loss of UK independent tariff policy. 51% rated this option positively.

4. The Single Market

The EU Single Market rests on four freedoms: free movement of goods, services, people and capital. Joining the Single Market would therefore solve the majority of frictions to goods and services trade raised in the consultation. Businesses scored membership of the Single Market 5.4 out of 7 on average, 1 point higher than a Customs Union.

41% of businesses ranked joining the Single Market as having the greatest impact for their business, of the four options tested. In our consultation, 81% of businesses scored it positively.

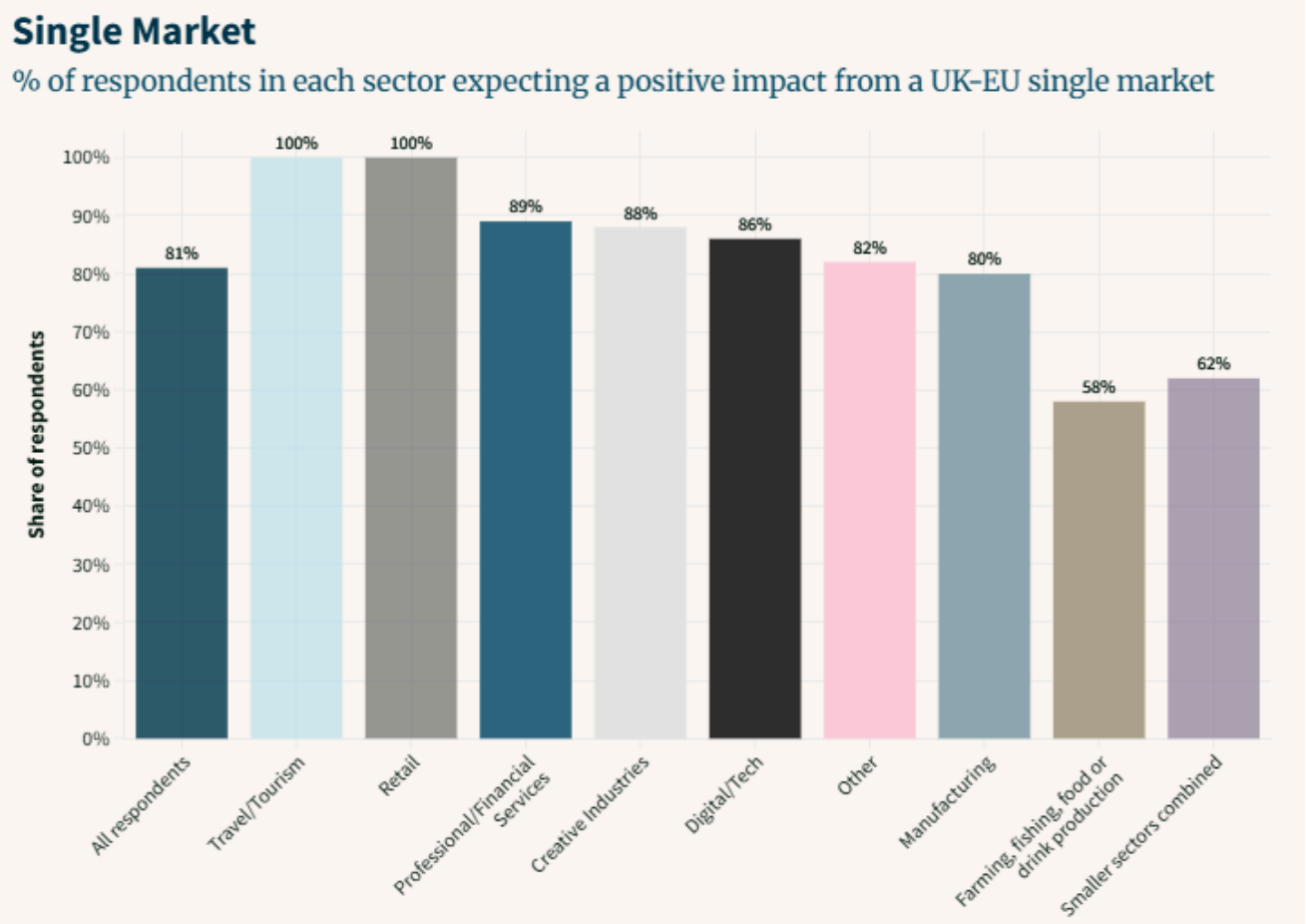


Figure 3: Percentage of respondents in each sector expecting a positive impact from Single Market participation

4.1. Benefits

For goods exporters, the Single Market would remove most non-tariff barriers to trading with the EU. For example, the UK would apply the same product rules as the EU,

and UK-based conformity assessment bodies would have the ability to certify goods for the EU market again, reducing the likelihood that exporters would need costly duplicative product testing.[24]

Services exporters would be able to provide services freely across the EU, benefitting from easier recognition of professional qualifications and, in financial services, a return to passporting rights. Returning to the free movement of people would remove the need for work permits and visas, along with the costs attached. It would also remove 90-in-180 days Schengen restrictions, which could benefit cultural workers, seasonal tourism workers, and logistics professionals especially - as their work often requires them to exceed this limit.

> *"For UK travel businesses, the main barrier to trade with the EU is restricted staff mobility [...] Operators delivering holidays in Europe now face real difficulty employing UK staff in EU countries. The impact is measurable. ABTA and SBiT research from 2023 found that the number of UK workers in the EU fell by 69% between 2017 and 2023."*
>
> **ABTA, leading association of travel agents and tour operators**

Membership of the Single Market via the European Economic Area (EEA - the thirty countries who participate in the Single Market, three of whom are not within the EU) could also have benefits in terms of access to funding. The UK could be eligible to receive more funds from the European Investment Bank through InvestEU, helping to fill lending gaps in strategic priorities such as energy. Returning to the free movement of capital might also help UK businesses raise funds from a greater number of European financial institutions.

4.2. Risks

The most-cited concern regarding the Single Market in the UKTBC consultation was the loss of UK regulatory sovereignty and a lack of say in the regulations that cover the majority of the UK economy.

> *"Not sure we'd want to take a set of rules but have absolutely no ability to vote on or influence them [...] If we are working by a set of rules, we must be able to discuss, negotiate, influence and agree them".*
>
> **Bridgetech Group Ltd, technology and data analytics company, south east of England**

If the UK joined the Single Market, it would probably have the same 'decision-shaping rights' as the three out of four European Free Trade Association (EFTA) states who are in

[24] Best for Britain, Mutual Recognition of Conformity Assessments, Accessed 13 November 2026

the EEA: Norway, Iceland, and Liechtenstein (Switzerland is in EFTA but not the EEA)[25]. Those countries can influence EU policies - for example, by participating in European Commission expert groups - but they have no vote in EU decision-making bodies[26]. This could prove challenging in areas where the UK is a global leader, such as financial services or life sciences. European regulators would set rules, with UK regulators sitting on their boards without voting rights or with observer status[27].

The other issue that businesses raised with joining the Single Market but not a Customs Union was that it would leave some barriers in place. Without a Customs Union, customs paperwork would still be needed (including ATA carnets, which are a 'passports for goods' that is particularly burdensome for cultural workers travelling with instruments or equipment)[28]. Goods would be subject to tariffs unless they met rules of origin requirements.

> *"Single Market participation would not necessarily remove all barriers to trade in goods. Depending on the accompanying customs arrangements, customs administration and rules-of-origin requirements could remain. There would also be a trade-off in following Single Market rules without full UK participation in EU decision-making, making transparency, appropriate opportunities for UK industry input and sufficient lead-in time for regulatory change particularly important [...]*
>
> *"The key benefit would be a more predictable and aligned regulatory environment for businesses".*
>
> **Lighting Industry Association, represents UK lighting industry and its supply chain**

Finally, while Single Market membership would make it more likely that the UK would be included in new EU-only initiatives and trade defence measures, it is not guaranteed. The example of Norway is instructive. In 2025, Norway unexpectedly found itself subject to trade defence measures on some steel alloys[29]. Similarly, while the current draft of the Industrial Accelerator Act does appear to allow content produced in EEA states to qualify as Union-origin content, it seems that Norway and its EEA partners have had to lobby for their inclusion[30]. If it became an EEA member, the UK would enjoy privileged access to the EU market, but would remain in an outer circle compared to the 27 EU member states.

[25] UK in a Changing Europe, What is the European Free Trade Association?, 22 September 2020
[26] European Free Trade Association, Decision shaping, Accessed 12 November 2026
[27] On the European Securities and Markets Authority, EFTA members participate without voting rights (Rules of Procedure); on the European Medicines Agency, they have observer status (see Management Board)
[28] Independent Society of Musicians, ATA Carnets: A guide, Accessed 13 November 2026,
[29] Financial Times, EU industrial push strains ties with Switzerland and Norway, 28 August 2026
[30] EFTA, EEA EFTA states welcome the IAA, 3 July 2026

4.3. UKTBC assessment

The UKTBC's view is therefore that joining the Single Market would remove most of the barriers that respondents identified, though without a Customs Union it would not remove them all. Even with both, some market access issues (such as entry into specific funding programmes or inclusion in EU-only industrial initiatives) would require separate negotiations. The UK Government would also need to address concerns about rule-taking, particularly in areas where the UK is a global leader.

4. **Businesses said that joining the Single Market would remove most barriers to trade**, and 81% rated it positively. However, they said it could raise questions about the UK following EU rules without a formal say. Many felt this was a political judgment for the UK Government, rather than a question for industry.

5. Full membership

The full membership scenario combines the benefits of 'the' EU Customs Union (rather than 'a' new UK-EU Customs Union that would need to be negotiated) with entry into the Single Market. It would therefore resolve virtually all barriers that businesses identified in our consultation. It scored 5.8 out of 7 on average.

76% of businesses ranked EU membership as having the greatest impact for their business, of the four options tested.

In our consultation, 82% of businesses scored it positively, the same overall score as the Single Market.

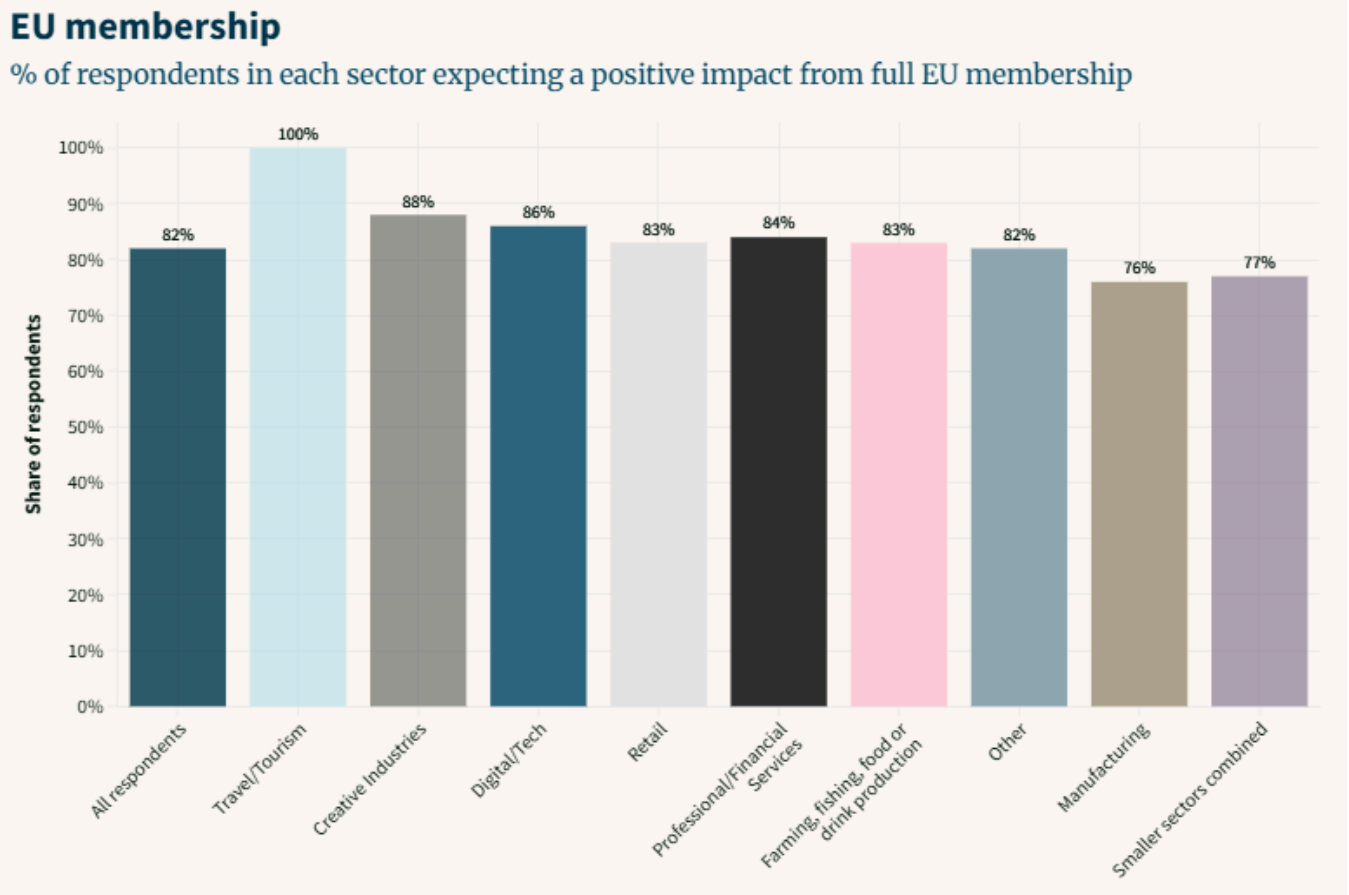


Figure 4: Percentage of respondents in each sector expecting a positive impact from full EU membership

5.1. Benefits

EU Membership combines almost all the benefits of a Customs Union and the Single Market listed in the above sections. In addition, should the UK restore its EU membership, it would join 'the' Customs Union rather than needing to agree a new, bespoke Customs Union with the EU (with questions about the sector coverage of a bespoke UK-EU arrangement).

For goods and manufacturing sectors, the combination of regulatory alignment and harmonised rules of origin would remove routine goods checks at the border. It would allow those sectors to integrate more easily into European supply chains and access European customers:

> *"This would remove all the barriers we face. No tariffs or origin rules on the goods our suppliers bring in, no customs paperwork or checks, and quicker, more reliable deliveries. It would also be the only option that properly solves selling online to EU customers, as we'd be back inside the EU VAT system with no customs charges on parcels or returns. For a small business like ours, it would mean lower costs, less admin and a fairer chance to compete with larger retailers."*
>
> **SoleLution, footwear company, south west of England**

Some businesses told us it could bring production and distribution back to the UK.

> *"We would be able to close our EU depot and do everything from the one distribution centre in the UK. The requirement for any import and export declarations, health certificates etc would be gone. This is by far the best outcome for our business."*
>
> **Nova Dog Chews Limited, a manufacturer and supplier of dog treats, snacks and chews**

Full membership would also benefit businesses in the services sector, especially because they depend more heavily on the movement of people.

> *"The creative industries - the world of cultural exchange - relies upon open and friction free movement of people and ideas. Any move in this direction would be entirely positive."*
>
> **Freelancers Make Theatre Work, membership organisation for the 200,000+ self-employed and freelance workers in theatre, opera, dance and live performance**

It would also give the UK full decision-making rights, unlike the Single Market scenario. This is especially important in areas where the UK has played a leading role in shaping

global standards, or in areas of specific UK strength (such as services, which account for 82% of total UK economic output)[31].

> *"Full EU membership would bring significant benefits to the UK legal profession and the political benefits of once again contributing to 'rule making' power in the EU. From a business mobility perspective, full EU membership would remove the need for UK lawyers to comply with 27 different immigration regimes across the EU member states. Full membership would also restore the protections associated with EU legal professional privilege (LPP) in relevant EU competition (and other) proceedings and investigations [...]*
>
> *"These changes would strengthen the international competitiveness of the UK legal sector, expand opportunities for legal practitioners and improve access to our legal services throughout the European Union."*
>
> **The Law Society of England & Wales, the professional body for solicitors in England and Wales**

Full EU membership would also bring additional benefits such as automatic access to EU funding and programmes. From 2014-2020, the largest share of the UK's ESI funding (€2.6 billion in total) was allocated to enhance the competitiveness of small and medium enterprises (SMEs)[32]. The EU also runs a range of sector-specific programmes that would be relevant to UK industry, for example the Creative Industries sector.

> *"[Membership would address] exclusion from the Creative Europe programme (£5m per year of additional funds plus a range of invaluable networks and relationships). And the UK would automatically participate in all culture-related EU programmes – Creative Europe, Interreg, EU capital funding (structural funds) would (as they have in the past) constitute significant investment in UK cultural infrastructure."*
>
> **Arts Council England, the national development agency for creativity and culture**

Finally, it would shield the UK by default in new initiatives such as the potential EU-only initiatives arising from the 'Made in Europe' agenda, and give the UK a decision-making role in shaping how such schemes are created and implemented.

5.2. Risks

However, several themes became clear from consultation with business.

First, we found that some businesses and business representative organisations were hesitant about being 'on the record' in support of EU membership - or indeed,

[31] House of Commons Library, Services industries: economic indicators, 5 October 2026
[32] House of Commons Library, EU funding in the UK (p.20), 11 September 2020

any option for further integration. Overall, some businesses were reluctant to give a view on issues such as sovereignty and budgetary contributions. Some felt that these were political decisions for the UK Government to weigh up.

> *"From a purely operational and commercial perspective, EU membership would provide the greatest reduction in trade barriers by restoring full access to both the Customs Union and Single Market [...] However, this option would need to be balanced against wider political, sovereignty and financial considerations, which are outside the scope of my business responsibilities."*
>
> **Jumo UK Ltd, solution provider in industrial sensor and automation technology**

Underpinning this, some businesses saw the conversation on more ambitious options as potentially divisive, which added to their wariness. For large membership organisations, there was an acknowledgement that their members would have a range of views and would need to be consulted. There was also a sense of 'change fatigue' and a desire to avoid further uncertainty - as well as potentially a fear about taking a position that could end up being different to what may happen in the future.

> *"[...] political instability leads to uncertainty, which has economic consequences for investors, firms and so on. I worry that arguing for EU membership may reopen a divisive debate which may not be in the best interests of the UK. What is in the best interests of the UK is a hard question to answer."*
>
> **Professor Michael Gasiorek, Director of Centre for Inclusive Trade Policy and Professor of Economics at the University of Sussex**

Second, hesitation about EU membership in our consultation was more focused on the process required to achieve it, rather than whether it should be pursued. Concerns were raised about the need for a democratic mandate, the timelines for negotiations, and budget contributions.

On budget contributions, academics who gave evidence argued that paying into EU budgets (under any deeper integration model) should be weighed against the GDP loss the UK sustained from leaving the EU and the growth on offer from deeper integration.

> *"When the UK was an EU member, net contributions to the EU budget were about half a percent of GDP. If you put this in terms of billions of pounds, these are clearly large sums of money. But as a share of the economy, they are relatively small. So ultimately the financial contributions issue is as much as anything a political decision as an economic decision [...] One way of thinking about this is, 'How much lower is UK GDP as a result of exit from the EU?'. Latest estimates suggest it could be between 4 and 6%.*

"On balance the benefits to the UK from closer integration, all the way up to full membership of the EU, are certain to outweigh the budgetary contributions that might need to be made."

Professor Michael Gasiorek, Director of Centre for Inclusive Trade Policy and Professor of Economics at the University of Sussex

The UK Government should consider how these political issues - such as uncertainty on timelines and the salience of budget contributions - can impact business confidence.

7. **As the UK Government explores the future UK-EU relationship, it should continue to engage business on the economic and regulatory implications of each option.** However, every model for further integration raises political and constitutional questions, and businesses may be reluctant to weigh in on those issues.

5.3. Regulatory divergence

Consultation responses suggested that issues of regulatory divergence since Brexit, and a potential loss of regulatory autonomy should the UK pursue further integration, have been overstated.

In practice, regulatory divergence has proven limited, because in order to sell into the EU market, UK exporters must still produce to EU standards and regulations[33].

In the goods sector, for example, several respondents noted that, under current arrangements, UK businesses exporting to the EU must already comply with EU regulations and standards that they cannot shape.

"As a UK based business importing goods into the EU, we must follow the EU regulations but we have no influence upon them. We cannot impact upon the EU regulations and shape them."

Anonymised Submission, industrial manufacturer in Scotland

Therefore, Single Market participation would not change the regulatory environment for many goods manufacturers, since current UK exporters must already meet EU requirements with a limited say.

[33]UK in a Changing Europe, Brexit ten years on: regulation, 17 June 2026

[On joining the Single Market] "While we would not be able to influence e.g. standards, the reality is that we conform with these anyway [currently]."

Anonymised Submission, instrumentation manufacturer in the East Midlands

Only full membership would restore the UK's right to vote on the regulations that many businesses must follow already as a condition of exporting to the EU.

"Here the UK gains power and influence and will be able to push for better regulation, deepening of the single market and a resistance to what we would see as bad ideas proposed at EU level."

Anonymised Submission, plastics manufacturer in South East of England

Regarding services, Artificial Intelligence and digital regulation have often been cited as an area of UK-EU regulatory divergence[34]. However, a recent TechUK report said that there were 'substantial areas of convergence in the regulation of digital platforms and cutting edge services', particularly in the underlying principles if not exactly in approach[35].

6. **Aligning with EU rules, as required in Single Market and full EU membership scenarios, did not register as a top concern for business**, in either goods or services.

5.4. UKTBC assessment

The UKTBC assessment is that membership removes nearly all barriers businesses raised in our consultation. It could provide certainty on a range of issues, from access to funding, to inclusion in EU-only initiatives such as 'Made in Europe'. However, it was seen as the most 'politicised' of the options, and the UK Government would need to address industry's political concerns which have knock-on impacts for business confidence.

5. **Membership would combine the benefits of a Customs Union and the Single Market. 82% of businesses rated it positively**, making it the most popular of the options. It would guarantee access to EU programmes and funding. It would mean UK firms are included by default in new European preference rules. Businesses raised some concerns, including about the cost and feasibility, plus the need for a democratic mandate. They felt that again these were political questions outside their remit.

[34] UK in a Changing Europe, UK and EU alignment and divergence, 24 February 2026
[35] TechUK, Towards a UK-EU Partnership for a New Age, 10 September 2026

The UK Trade and Business Commission

The UK Trade and Business Commission brings together MPs from across Westminster and from all four nations of the UK, along with business leaders and expert economists to provide independent scrutiny of the UK's trade deals and provide recommendations to the Government. It is led by Lillian Jones MP.



Lillian Jones MP - Lillian is the Labour Member of Parliament for Kilmarnock and Loudoun and Chair of the UK Trade and Business Commission.



Peter Norris - Peter has chaired Virgin Group since 2009, is Chair for Virgin Atlantic and Virgin Hotels and sits on the board of Best for Britain.



Jonathan Faull - Sir Jonathan is Chair of European Public Affairs at the Brunswick Group and was previously Director General in various departments at the European Commission.



Baroness Ros Altmann - Baroness Altmann is a non-affiliated peer in the House of Lords, former Minister of State for Pensions and now emeritus governor and Visiting Professor at London School of Economics.



Layla Moran MP - Layla is the Liberal Democrat Member of Parliament for Oxford West & Abingdon and Chair of the Health and Social Care Select Committee.



Philip Wilkinson - Philip is an executive in the poultry industry, and 30 years experience in the dairy industry. He was previously Commercial Director at Arla Foods.



Lord Darroch - Kim Darroch has served as the British Ambassador to the United States and was previously National Security Adviser and the UK's Permanent Representative to the European Union.



Liz Saville Roberts MP - Liz is leader of the Plaid Cymru group of MPs in Westminster and Plaid's Spokesperson for Home Affairs, Justice, Business and Equality.



Stephen Kinsella - Stephen practised for 40 years as an EU competition lawyer, and is now deputy chair of the anti death penalty organisation Reprieve, founder of campaigns Clean Up The Internet and Law For Change, and chair of the Press Justice Project.



Sir Simon Hughes - Simon was a Liberal Democrat MP for Southwark and Bermondsey from 1983 to 2015 and is now Chancellor of London South Bank University.



Kirsty Blackman MP - Kirsty is the SNP member for the Aberdeen North. She is currently SNP Chief Whip and leads on Women and Equalities and Treasury.



Al Pinkerton MP - Al is the Liberal Democrat Member of Parliament for Surrey Heath and his party's spokesperson on Europe.



Carma Ellliot - Carma is a former senior British diplomat of over 30 years, with postings in China, the EU and the Middle East, focused on trade and investment; education and culture; and wider people to people relations.



Rosemary Squire - Dame Rosemary Anne Squire, DBE is a British commercial theatre owner and entrepreneur. She is the founder of the Ambassador Theatre Group LTD, and co-founder of Trafalgar Entertainment.



John Alistair Clarke - John is a former EU Diplomat and trade negotiator, and now sits as a Fellow of Maastricht University, Fellow of the Royal Asiatic Society, and Fellow of the British Institute of International and Comparative Law.



John McNally - John is a former SNP MP, serving from 2015 to 2024, during which time he served on the Environmental Audit Committee, and chaired the APPGs on Hair, Barbering and Cosmetology, and on Ethical and Sustainable Fashion.



Geraldine Dibon - Geraldine is the International Growth Director for Europe for the International Proposition within the Corporate and Commercial Banking team at Santander UK.



Eman Martin-Vignerte - Eman is the Director of External Affairs and Government Relations at Bosch UK.



Ellie Chowns MP - Ellie is Green MP for North Herefordshire and spokesperson on Foreign Affairs and Housing and Communities; and Parliamentary Lead on Education, Defence, Business and Trade, Social Care, and Constitutional Affairs.



Deborah Annetts - Deborah leads The Independent Society of Musicians as Chief Executive and is currently Chair of the broadcast licensing body ERA and Honorary Research Fellow at Queen Mary University.



Dr Geoff Mackey - Geoff is a Fellow of the Royal Society of Chemistry and IEMA (the Institute of Environmental Management & Accounting); a Trustee of CAPE and SCI; and on the board of ReCoup and Rotary UK&I.



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