Liberal Democrats

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Rebuilding Trade and
Cooperation with Europe

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1 Introduction and summary

1.0.1 Boris Johnson's Brexit is failing to deliver any benefits for Britain. It bears no resemblance to the promises made by the Leave campaign in 2016.

1.0.2 There were many different ways in which the government could have built a new relationship between the UK and the EU after Britain's departure. Many of them were floated during the referendum: the UK remaining inside the Single Market but exercising an independent trade policy, like Norway; a customs union, removing some barriers to trade, but staying outside the Single Market, like Turkey; a more distant arrangement with a comprehensive trade deal, like Canada. The Conservatives ditched them all, and opted for the hardest of hard Brexits.

1.0.3 The consequences are becoming steadily clearer. From rising food prices, to empty supermarket shelves, to shortages of HGV drivers and of staff in the healthcare, farming and hospitality sectors, to musicians being unable to perform abroad, to British firms, farmers and fishers facing such higher charges and bureaucracy that they give up exporting their products altogether, to scientists losing chances of collaborative projects, Brexit is affecting more and more parts of everyday life. The coronavirus pandemic has caused the biggest shock to the British economy since the war, but, as the independent Office for Budget Responsibility has predicted, the impact of Brexit will be twice as large – and, unlike the pandemic, it will not stop.

1.0.4 The supposed benefits of Brexit have proved to be a fantasy. Public spending will be lower and taxes higher than they would have been if the UK had remained in the EU, because the economy is weaker. The free trade agreements negotiated so far by the government will provide no significant economic boost. Any minor benefits the UK is able to gain from its trade deals outside the EU will be far outweighed by the damage caused by Brexit to trade with its nearest neighbours.

1.0.5 The damage is not only to the economy. Brexit has removed British citizens' opportunities to work, to be together with their loved ones, to

study and retire anywhere in the EU. The UK has become an increasingly hostile environment to EU citizens and their families, no matter how long they may have lived here; many have already left or no longer travel here to work or study. The UK itself is now under greater threat, as Scotland and Northern Ireland have been taken out of the EU against their will, as revealed in the 2016 referendum.

1.0.6   The UK now has less clout in international negotiations, whether on climate change or biodiversity or trade. It is less important to major powers such as the US or China. The slogan 'take back control' was a lie; in reality Britain now exercises less control over the forces that determine its future than it did inside the EU. Furthermore, this comes at a time when the challenges the world faces – the climate and nature emergencies, an aggressive Russia and an assertive China, conflict and mass migration and the threat of new pandemics – require more international collaboration, not less.

1.0.7   The government's increasingly desperate attempts to identify any benefits from Brexit further undermines the claims made in 2016. This is best exemplified by the return of the crown stamp to pint glasses: an action of no measurable benefit that was never prevented by EU membership in any case.

1.0.8   Increasingly the electorate shares our view that Brexit is damaging Britain, and recognises that a new approach will bring benefits. But support for a campaign to join the EU as soon as possible is by no means certain, and has no guarantee of success. In any case, there is no indication that the EU would want the UK back, in its current state; the Conservatives have gone out of their way to turn down offers of cooperation, to destroy the trust that is necessary to effective international relations and to diverge as much as possible from European standards and systems.

1.0.9   The government's threats to trigger Article 16 of the Northern Ireland Protocol are just one example of how the Conservatives have wrecked Britain's partnerships with Europe. The EU no longer sees Britain as a good neighbour. It will take time to convince EU member states that

the UK is serious about forging stronger links and rebuilding the relationship. We recognise that the UK's bonds with its European friends can only be built back gradually over time.

1.0.10 This paper sets out below the first four stages in the process of re-establishing good relations, and rebuilding the associations between Britain and its European neighbours, to the benefit of both:

1. **Immediate UK initiatives to repair the UK–EU relationship** – starting with a declaration of a fundamental change in the UK's approach, and including extending mobility schemes, improving channels for foreign policy cooperation and granting full Settled Status to all EU citizens and their families who were living in the UK on 31 December 2020.

2. **Rebuilding confidence** – through seeking to agree partnerships or associations with EU agencies and programmes such as the European Aviation Safety Agency, Erasmus Plus, scientific programmes, climate and environment initiatives, and cooperation on crime and security.

3. **Deepening the trading relationship** – including critical steps for the British economy, such as aiming to negotiate a veterinary agreement for trade in food and livestock, mutual recognition agreements, and reciprocal deals with the EU on low-cost, fast-tracked work visas.

4. **Applying to join the Single Market**. Once ties of trust and friendship have been renewed, and the damage the Conservatives have caused to trade between the UK and EU has begun to be repaired, the opportunity should arise to remove remaining trade barriers and to restore Britain's economy to health by applying to join the Single Market.

1.0.9   We believe that this gradual approach offers the best chance of convincing former Remain voters sick of Brexit, and former Leave voters disillusioned by it, that the Liberal Democrats have a better way – that the hostility that marks the Conservative government's approach to relations with the EU is not a necessary part of Brexit, that there are different approaches available that work through trust and cooperation, not

antagonism and divergence. By steadily building a healthier relationship with the EU, we can demonstrate how the UK can become more prosperous, more safe and more influential – and in this way maximise the chance of persuading the electorate to support a renewed UK membership of the EU in the longer term.

2   Europe: the Liberal Democrat approach

2.0.1   Liberal Democrats are internationalists as a matter of principle. We believe in tearing down the borders and barriers which separate people from one another, not in building up new ones that restrict liberty, hinder equality and crush community. We want to offer everyone in Britain equal opportunities to access the experiences and personal rewards that global connectivity brings.

2.0.2   We are also internationalists for good pragmatic reasons, because some goals are too big for nation-states to achieve on their own: guaranteeing peace and security, tackling the climate and nature emergencies, standing up to corporate power and spreading prosperity around the world. There is no healthy future for our country if it does not work with others to tackle these problems. We believe that working and trading closely with the UK's neighbours will make British families and communities and businesses better off as a result.

2.0.3   That is why Liberal Democrats have always supported, and will continue to champion, the European project, not least because it has brought peace to a continent that has historically been wracked by war. In the 1960s our predecessors in the Liberal Party were the first to call for UK membership of the European Economic Community, and in the 1980s it was a shared belief in the value of Britain's membership that helped bring the Liberal Party together with the SDP in the Alliance that so nearly broke the mould of British politics.

2.0.4   It was for these reasons that the Liberal Democrats supported Remain in the 2016 referendum, why we called for a People's Vote on the Withdrawal Agreement and why we voted against the final Brexit deal – the Trade and Cooperation Agreement – because they were all bad for Britain. Since then, Liberal Democrat parliamentarians, councillors and members in all parts of the country have continued to challenge the government on the impact of Brexit on the British economy and British society:

- Our local councillors and team at the Local Government Association have been calling out the damaging effect of worker shortages, from local pubs to restaurants, from hospitals to care homes.

- In the Scottish Parliament, our MSPs have stressed the fact that Scotland voted to remain, and those who represent fishing communities have been campaigning for access to compensation funds.

- In Wales, Kirsty Williams, when she was Education Minister, secured a package of reforms to the government's Turing Scheme, the replacement for Erasmus Plus.

- In Westminster, Liberal Democrat MPs and peers have been campaigning on Brexit issues ranging from English-language schools to the right to stay for NHS staff, and on improving the operation of the Northern Ireland Protocol rather than wrecking it; our peers, headed by Lord Strasburger, have been running a national campaign on paperwork-free travel for musicians, which has been supported by Sir Elton John.

2.0.5   Looking forward, we will always believe that Britain is most likely to thrive at the heart of Europe. Liberal Democrat policy is clear about our vision for the UK's relationship with the EU. That is why, at our 2020 autumn conference, Liberal Democrat members agreed to call for: 'The closest possible alignment between the UK and the EU towards customs union, single market and freedom of movement, including minimising tariff and non-tariff trade barriers, no lowering of environmental, food and animal welfare standards, and the maintenance of strong diplomatic, developmental, defence, security, judicial, educational and scientific cooperation.' We resolved: 'to support a longer-term objective of UK membership of the EU at an appropriate future date to be determined by political circumstances, subject to public assent, market and trade conditions and acceptable negotiated terms'.

2.0.6   That position was reaffirmed in March 2021, when our spring conference instructed the Federal Policy Committee to: 'carry out a

programme of work, including consulting widely within the party, to determine the best possible future framework for the UK-EU relationship across all policy areas, with the aims of:

- Demonstrating the benefits to UK citizens and businesses of a much closer relationship compared to the government's inadequate measures;

- Recommending roadmaps for the UK to rejoin the Customs Union, Single Market and other EU agencies and programmes as appropriate; and

- Maximising public support for eventual UK membership of the EU.'

2.0.7   The FPC is fulfilling this instruction through a series of policy motions and papers. We began with a motion on 'Rebuilding our cultural, artistic and educational ties with Europe', adopted without opposition by the 2021 autumn conference. This policy paper is the next stage, tackling the critical issue of the UK's trading relationship with the EU, including the potential for the negotiation of a new customs union, and membership of the Single Market.

2.0.8   This necessarily covers a very wide range of issues, including not just customs tariffs (import and export duties) but product standards, freedom of movement and immigration, and domestic regulatory frameworks. Since we argue for a gradual process of building cooperative relationships and trust between the UK and EU, we also touch on the potential for joining, or associating, with a number of EU agencies and programmes that are not directly related to trade or Single Market issues, but are relevant to areas such as climate policy, health and police and security cooperation. We do not cover these policy areas in full in this paper – since it is primarily about trade and the Single Market – but will return to them in future papers or motions for conference.

2.0.9   Chapters 4 to 9 explain the staged process we advocate to build up to an application to join the Single Market, which we believe is the best

option for the British economy short of full EU membership. Before that, we summarise in Chapter 3 the impacts so far of Brexit.

Background: trade, customs, the Single Market, the EEA and the Northern Ireland Protocol

The UK's withdrawal from the EU meant that it left the EU's **customs union**. There are no tariffs or non-tariff barriers to trade (such as quotas) between the members of a customs union, and its members impose a common external tariff on all goods entering the union. Agreement on a bilateral customs union between the EU and UK would remove some barriers to trade, though not all; for example, there would still need to be processes in place to ensure UK goods exported to the EU met the EU's regulatory standards, for health, safety and environmental aims. A customs union would not cover services, the UK's main economic sector.

The European **Single Market** represents a deeper level of economic integration. It is based on the 'four freedoms': free movement of goods, free movement of capital, freedom to establish and provide services and free movement of persons. All products sold in the Single Market must meet the same regulatory standards (with some exceptions). The creation of a seamless internal European market – in which Margaret Thatcher's and John Major's Conservative governments played a major role in the 1980s and 1990s – is an ongoing process, with the integration of the service industry still containing gaps.

The **European Free Trade Association** (EFTA) was founded in 1960 as an alternative trade bloc for those West European states that were unable or unwilling to join the European Economic Community (EEC). Austria, Denmark, Portugal, Sweden and the UK subsequently joined the EEC; the current members are Iceland, Liechtenstein, Norway and Switzerland.

The **European Economic Area** (EEA) comprises the EU and three of the four members of EFTA (Norway, Iceland and Liechtenstein, but not Switzerland). The EEA extends the European Single Market beyond the EU and is governed by the same basic rules. EEA members accept the four freedoms of movement in

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goods, capital, services and persons, and must accept related EU regulations. Other policy areas are excluded, notably the Common Agriculture and Fisheries Policies, the Common Foreign and Security Policy, justice and home affairs issues, and monetary union.

The **Northern Ireland Protocol** governs the unique customs and immigration issues at the land border between the UK and the EU. The UK's and Ireland's common membership of the EU allowed the land border to be largely invisible, without any physical barrier or custom checks on its many crossing points; this was an important step in helping to end Northern Ireland's long history of conflict, and helped to underpin the Good Friday Agreement.

To avoid re-establishing a 'hard border' after the UK's withdrawal from the EU, the Protocol to the Trade and Cooperation Agreement in effect means that Northern Ireland remains in the Single Market for goods, and avoids the need for customs checks, tariffs or new paperwork. To maintain the integrity of the Single Market, this in turn created a de facto customs border down the Irish Sea, separating Northern Ireland from the island of Great Britain for customs purposes. This has led to some tensions in the UK–EU relationship, as the Conservative government has on several occasions signalled its wish to rewrite the Protocol it itself negotiated.

3   The impacts of Brexit

3.0.1   On Christmas Eve 2020, Boris Johnson knowingly signed the UK up to the first trade agreement in history to make international trade more difficult rather than easier: the Trade and Cooperation Agreement (TCA). Despite the government's promises, this is slashing British firms' export opportunities, entangling small businesses in red tape, and resulting in shortages of workers, from HGV drivers to care homes to pubs and restaurants. And the full impact has yet to be seen, as the government has repeatedly delayed implementing aspects of the agreement such as import controls and new regulatory requirements – now due to be introduced throughout 2022.

3.0.2   These outcomes are an inevitable result of the relationship the government chose. If you erect trade barriers, trade will be harder. If you cut the workforce, there will be fewer people to do necessary jobs. Rather than consider what would best improve people's lives, the government has made choices based on nothing more than its own narrow ideology. The result has been antagonism in place of cooperation. Exacerbated by the Covid pandemic, Boris Johnson's Brexit deal has made life more difficult for businesses, for families, for fishers and for farmers, with increases in bureaucracy, delays and expense, and his government's approach has eroded any good will the UK had with the EU.

3.0.3   The impacts can be seen across a wide range of different policy areas, summarised below. At the root of them are four major problems:

- Trade with the UK's nearest neighbours – EU member states – has been made more difficult outside the EU customs union and Single Market. The TCA avoids the imposition of tariffs or quotas on trade between the UK and the EU (for goods that meet the relevant rules of origin requirements), but introduces significant new non-tariff barriers, from customs declarations to physical checks on some goods.

- The ending of free movement has meant that EU workers can no longer automatically take up jobs in the UK, and vice versa.

- The government's decision to reassert full regulatory independence has required the UK to duplicate many EU regulatory frameworks, for example for chemical and pharmaceutical safety. Yet there is very little value in diverging from EU standards, since the EU is such a significant economic and trading bloc that many of its standards are adopted worldwide, a phenomenon known as the 'Brussels effect'. While the TCA includes a commitment on the part of the UK to maintain similar rules relating to workers' rights, social and environmental protection, taxation, and government subsidies for business, the rules only need to be similar, not identical. Therefore, the UK is unlikely to be able to reap any competitive advantages from adopting weaker standards, and will also suffer from the increased administrative burdens of two sets of rules.

- The government's decision to take the UK out of many EU programmes, for example for scientific research, or the Common Agricultural Policy, means that individuals and organisations in the UK find themselves denied access to funding and other opportunities they previously enjoyed.

3.1   Trade, tax and public finances

3.1.1   The most obvious impacts of Brexit have been on exports to and imports from the EU – the UK's biggest trading partner. The TCA has complicated UK–EU cross-border relationships in every sector with new administrative and regulatory burdens. New requirements, including compliance with rules of origin, complex Sanitary and Phytosanitary (SPS), customs and VAT requirements, haulage restrictions, local licences, visas, border checkpoints, personnel relocation, and so on, have affected all types of businesses, from agriculture to finance. Since modern manufacturing, in particular, uses complex supply chains that stretch across many different nations, any new barriers can significantly complicate their business. Even before the TCA was concluded and tariffs were officially avoided, significant companies in automobiles, aerospace, and industrial supplies, such as

Honda, BMW, Toyota, and Jaguar Land Rover, cut jobs and closed plants in the UK.

3.1.2   After the end of the transition period, UK exports of goods to the EU fell by 45 per cent in January 2021, and while they have partially recovered, by late 2021 they remained around 15 per cent down on 2020 levels. The story is similar for imports of EU goods, which were around 20 per cent down. In October 2021 the independent Office for Budget Responsibility (OBR) estimated that UK–EU imports and exports had seen about a 15 per cent cut since November 2016.[1]

3.1.3   The government has argued that the UK's ability to exercise an independent trade policy provides a route to make up for the impacts of erecting trade barriers with the EU. But none of the agreements it has negotiated so far provide any significant boost to the UK economy. The trade deal with Australia – the UK's first new trade agreement – is projected to see an increase in the size of the UK economy by £200 million to £500 million, just 0.01–0.02 per cent of GDP, over 15 years.[2] (The government later revised its estimates of positive impacts upwards, on the basis of highly optimistic – and unrealistic – assumptions.) In comparison, the UK's trading relationship with Ireland took a £2.5 billion hit in the first seven months of 2021 alone.[3]

3.1.4   The government's plans to create eight new freeports, where normal tax and customs rules do not apply, will have nothing more than a marginal effect, if that, probably simply diverting investment and jobs away from other areas, and possibly also facilitating smuggling and tax evasion. In any case, the UK could have established freeports as a member of the EU, contrary to the government's claims; indeed, seven freeports operated in the UK between 1984 and 2012.

3.1.5   The overall effect is for the UK economy to become less open to global trade.[4] Compared to the 2019 average, trade flows (imports plus exports as a share of GDP) in the UK have fallen by far more than they have in any other G7 country, and in the third quarter of 2021 were the lowest since 2009. By contrast, among EU countries, trade as a share of GDP has

largely recovered to pre-pandemic levels. Similarly, between April 2019 and April 2021, exports of services to the EU fell twice as heavily as they did to non-EU destinations.[5]

3.1.6   For a country that has always relied on international trade as a driver of growth and prosperity, this is hugely damaging. The OBR has estimated that Brexit will, in the long run, take about 4 per cent off the UK's GDP (other estimates are even higher). This represents twice the long-term impact of the coronavirus pandemic, which itself has been the biggest shock to the British economy since the Second World War.[6] Public spending will be lower and taxes higher than they could have otherwise been. Government revenues have taken a hit of about £30 billion.[7]

3.2   HGV drivers and the supply chain crisis

3.2.1   The UK labour market has similarly become less global: there has been a marked drop in the numbers of EU nationals working in the UK, and firms report greater difficulties in hiring EU staff. One of the most acute impacts has been in shortages of drivers of heavy goods vehicles (HGVs): industry group Logistics UK estimates that there is currently a shortfall of 90,000 HGV drivers, while almost 15,000 EU drivers returned home during the pandemic.[8] Despite attempts by the government to relax visa conditions for HGV drivers take-up of such offers has been very poor.

3.2.2   The impact has been felt across the UK economy, including, most significantly, in delays at ports, as too few HGVs arrive to pick up container loads; at Felixstowe, the UK's busiest port, some ships have been turned away. The chief executive of Associated British Ports, Henrik Pederson, has suggested that this disruption is likely to continue until at least 2023.[9] These delays have resulted in shortages of goods on shop shelves, from groceries to alcoholic drinks. As Ian Wright, Chief Executive of the Food and Drink Federation, said: 'the UK shopper and consumer could have previously expected just about every product they want to be on a shelf or in the restaurant all the time. That's over, and I don't think it's coming back.'[10] Other impacts include widespread delays in refuse collections (to

date, in at least 23 councils), and fuel shortages at petrol stations in autumn 2021 (exacerbated by panic buying).

3.2.3   It is important to note that the newly erected barriers between UK and EU are not the only reason for the challenges facing UK supply chains. Other factors include disruption caused by the pandemic, an increase in global costs, including particularly in shipping and energy, and worldwide shortages of some goods such as electrical and electronic parts.[11] But the new trade barriers and the end of freedom of movement have significantly weakened the ability of the British economy to respond, and will continue to undermine its resilience to any future shocks. It is noticeable that EU member states have not suffered from the same levels of falls in trade or supply-chain disruptions as the UK, and neither has Northern Ireland, which remains, in effect, in the Single Market.

3.2.4   In his speech to Conservative Party conference in October 2021, the Prime Minister attempted to portray this disruption as part of a transition to a 'high-wage, high-skill economy'. The latest OBR forecasts do not bear that out, with real incomes set to stay below pre-pandemic levels until at least the end of 2023.[12] In reality, without significant investment in skills and education – which the weakened UK economy is now less able to implement – higher wages caused by labour shortages will simply feed through to higher inflation.

3.3   Small businesses

3.3.1   Small and medium-sized enterprises (SMEs), who have fewer resources than larger businesses to draw upon to help them adapt, have been particularly affected by both trade barriers and shortages of labour. Exporting businesses face significant additional barriers and red tape, including customs declarations and VAT registration. Three months on from the end of the transition period at the end of 2020, a poll carried out by the Federation of Small Businesses found that nearly a quarter of their members had temporarily stopped selling to the EU, with 4 per cent stopping sales permanently.[13] In November 2021, the Institute of Directors

reported that a quarter of businesses which trade with Europe have moved or are considering moving their operations to inside the EU. Almost half of those surveyed who trade with the EU 'are doing less trade or have stopped trading entirely with the EU since January'.[14]

3.3.2   There has been significant re-routing of trade between the Republic of Ireland and mainland Europe, much of which previously travelled through Great Britain. Prior to the implementation of the TCA, there were less than a dozen direct ferry routes from Ireland to mainland Europe – as of October 2021, there were 44.[15] Freight traffic between Dublin and Holyhead and Liverpool fell by around 20 per cent over the same period.[16]

3.3.3   In the hospitality sector – home to thousands of small businesses – it is labour shortages which have had the most damaging impact. According to CGA's regular business confidence survey, in Q3 2021 one in six hospitality jobs was unfilled, with 96 per cent of business leaders 'now envisaging shortages in either front or back of house roles'.[17] If small businesses do want to hire EU workers, they face additional costs and bureaucracy. Employers must apply to the Home Office and pay to become a licensed sponsor for worker visas, as well as paying a fee for each employee they sponsor. Many now need to pay immigration lawyers and human resources specialists to navigate the complicated Home Office systems and rules. Their prospective workers from overseas face visa fees that are much higher than those charged by other countries, putting UK businesses at a competitive disadvantage.

3.4   NHS and social care

3.4.1   EU staff play a significant role in both health and social care. Over 70,000 health care staff are EU nationals, including, in England, 9 per cent of doctors and 6 per cent of nurses.[18] The growth in the proportion of doctors and nurses who were EU citizens seen between 2009 and 2016 went into reverse after the referendum. Similarly, in 2021, there were 113,000 EU citizens working in adult social care in England.[19]

3.4.2   The new Home Office immigration system cuts off the supply of workers paid less than £25,600 for key sectors like social care. The NHS and all social care providers have to pay the Immigration Skills Charge for any employee they recruit from abroad, at £1,000 per head, and the staff member may also have to pay the Immigration Health Surcharge. This will make it more difficult and more expensive for the NHS and social care to access the staff which they need at a time when staff shortages are increasing; unfilled vacancies in the NHS alone stood at 94,000 by June 2021. This has serious implications for Britain's ageing society, which will need a steadily increasing supply of health and care workers, even without considering the current stresses caused by the covid pandemic.

3.4.3   New barriers have also been erected to the supply of medicines and medical devices. As a result of the UK leaving the European Medicines Agency, any pharmaceutical manufacturer wishing to sell a medicine or medical device must apply for a licence from the Medicines & Healthcare products Regulatory Agency (MHRA). There are concerns that, as a result, the UK will be deprioritised by manufacturers seeking to market new and novel medicines and medical devices, and also that there is no guarantee that products licensed for sale in the UK will be accepted in the EU.[20]

3.5   Food, farming and fishing

3.5.1   By August 2021 there were an estimated 500,000 vacancies across the food and drink sector, out of a total of 4.1 million jobs, affecting everything from fruit picking to poultry farming.[21] UK farms have struggled to replace seasonal workers from the EU. One notable impact has been a shortage of abattoir employees, leading to the culling of healthy pigs. The government's schemes to replace EU workers with domestic labour have not been successful, and the Seasonal Workers Pilot, a Home Office scheme to attract foreign farm workers, has been insufficient in scope.[22]

3.5.2   The farming and fishing industries have also been badly hit by the change in the trading relationship between the UK and the EU. Businesses exporting seafood and meat to the EU now face what was described by the

House of Commons Environment, Food and Rural Affairs Committee as, 'substantial new red tape requirements and checks at the border – also known as non-tariff barriers – where previously there were none.'[23] These include certification requirements (via an Export Health Certificate) and new SPS checks. Businesses exporting meat now have to complete a 21-step process to export their products to the EU; previously, they faced just one.[24] Some products, such as seed potatoes or chilled meats, now cannot be exported at all.

3.5.3   Yet more damage is threatened to the sector by the government's trade deals, which risk lowering standards and undercutting British farmers. The proposed free trade agreement with Australia, for example, will open up the UK market to the import of Australian beef, the products of a highly mechanised large-scale industry which produces twice that of the UK farmers every year, at lower cost, partly because of lower animal welfare and environmental standards.[25] As the NFU has argued, 'Fully liberalising the UK's sensitive agricultural sectors, even with "phase out" periods for tariffs, undermines the investments that UK farmers have been making, both on farm to improve productivity and deliver environmental or animal welfare gains but also in increasing their market share at home and abroad.'[26] Tariff-free access to the UK market for Australian and New Zealand agricultural products risks setting a precedent for future trade deals, for example with the US, which would risk opening UK markets to food products produced at considerably lower health and animal welfare standards, including chlorine-washed chicken (with higher risks of food poisoning) and hormone-fed beef.

3.5.4   Finally, the transition from the Common Agricultural Policy to the new Environmental Land Management Scheme (ELMS) has been mis-managed by the government. Farmers risk losing 50 per cent of their payments by 2024, since the new scheme will not be fully rolled out until 2028. For many farmers this is up to half their entire income; it risks driving many small family farmers out of business entirely.

3.6   Freedom of movement

3.6.1   The cultural links which connect the UK with its neighbours are being undermined. As of 2019, an estimated 1.3 million British citizens lived in EU countries.[27] Many have experienced difficulties with issues such as registration of permanent status or access to healthcare. The government has failed to provide sufficient funding to help UK citizens who are unable to regularise their status because of illness or old age.

3.6.2   At the same time, concerns have been raised regarding the government's equivalent scheme, Settled Status. By November 2021, 3.1 million people had been granted Settled Status, but a further 2.5 million had been granted only temporary Pre-Settled Status, meaning they will have to apply again within five years or lose their right to stay. Another 379,000 people are stuck in Home Office limbo – four months after the scheme closed, they had still not been given a decision on their application.[28] The government has refused to provide EEA citizens with physical proof of Settled Status, forcing them instead to rely on a digital-only Home Office system for which there have been reports of technical and accessibility problems. The government's 'hostile environment' approach means that even EEA citizens with every right to be in the UK are at risk of being wrongly denied access to housing, healthcare and other services because they do not have the physical documents to prove it.

3.7   Education, science and research

3.7.1   Educational links with the EU have been damaged by the government's decision to leave the Erasmus Plus scheme. Since 1987, UK students have travelled to countries all over the EU – and beyond – under Erasmus; In 2017/18, this included over 10,000 UK students travelling to 59 different countries. The government's replacement, the Turing Scheme, is less well funded than Erasmus Plus, does not pay tuition fees, excludes youth and adult education and includes no provisions for reciprocal arrangements between UK and overseas universities, which makes it harder for UK universities to secure placements for students and restricts

the ability of EU students to study at UK higher and further education institutions. The university sector has warned that the Turing Scheme risks exacerbating the sharp decline in the number of language students.[29]

3.7.2   There are also concerns regarding the impact of Brexit on UK-based English language schools. It is likely that this will further heighten the shortage of modern foreign language teachers in British schools and further reduce the take-up of modern foreign languages in the long term.

3.7.3   Research in universities has been adversely affected by the government's post-Brexit immigration system. The high salary threshold and visa costs have created new barriers, making it harder and less attractive to employ academics and technicians from the EU. The government's decision to seek association with EU research programmes, including Horizon Europe, was welcomed across the sector, but the dispute over the Northern Ireland Protocol has delayed final agreement. Research groups are already missing out on invitations to join research consortiums because of the unclear funding status. This is of critical importance, placing at risk the sustainability of high-quality and internationally competitive advanced research at UK institutions.

3.8   Culture

3.8.1   Brexit has caused significant damage to the cultural, educational and artistic links which the UK has enjoyed with its neighbours and friends over decades, from programmes such as Creative Europe to the formative opportunities enjoyed by young people, including gap years, cultural exchanges and the ability to travel to EU member states on school trips without needing passports. From October 2021, the UK now requires travellers from the EEA to enter the country using a passport, instead of an ID card, as before. School trips from EEA countries have suffered as a result.[30] 'Class passports' are no longer valid, creating difficulties for children with non-EEA nationalities, who were previously included under such arrangements. Trips to the continent by UK schoolchildren are impeded.

3.8.2   Barriers have been erected to musicians and actors performing in the EU, and to EU artists performing in the UK, as well as their staff – including paperwork requirements, restrictions on the movement of goods, and limits on haulage while on tour.[31] The music industry, currently worth £5.8 billion a year to the UK economy, faces, according to Mark Pemberton, director of the Association of British Orchestras, 'slow, steady decline'.[32] Musicians such as Sir Elton John have led the way in the campaign to restore paperwork-free travel, which would significantly help young and up-and-coming artists.

3.8.3   UK citizens face new (and old) barriers when travelling in Europe – from queues at passport control to the reintroduction of roaming charges for mobile phones. Those charges, which were abolished by the EU in 2017, have already been or will soon be reimposed by Three, EE and Vodafone.[33] By the end of 2022, the EU will implement a new border management scheme, ETIAS (European Travel Information and Authorisation System). While UK nationals will not require a visa in order to enter the countries in the Schengen Zone for short-term visits, they will need to apply and pay for authorisation under the ETIAS scheme.

3.9   Asylum and refugees

3.9.1   Attempts by desperate asylum seekers to cross the English Channel have been frequently covered by the media, culminating in the tragic scenes of 24 November 2021, when 27 migrants drowned after an inflatable boat capsized. The ability of the UK to respond to these events has been limited by Brexit, because of the government's decision not to seek continued participation in the 'Dublin system', which enables the transfer of asylum seekers from one country to another where it is more appropriate for them to claim asylum. Between 2015 and 2020, this system allowed 3,247 asylum seekers elsewhere in Europe – 750 of them unaccompanied children – to be united with family members in the UK. It also enabled the UK to transfer 1,763 asylum seekers to other European countries during the same period.[34]

3.9.2   By withdrawing from the system, the government closed down an important safe and legal route for asylum seekers, including unaccompanied child refugees, to be reunited with their families in the UK. This decision has also prevented the UK from returning asylum seekers to other European countries. This has resulted in more asylum seekers and refugees making dangerous attempts to cross the Channel, and has pushed more of them into the hands of people smugglers and human traffickers.

3.10   The future

3.10.1 Under Boris Johnson's administration, the UK's standing on the world stage has taken a significant hit, at a time of growing international tensions and instability. Britain's place as a bridge between the US and the EU has been lost. The UK's loss of influence has been exacerbated by the acrimonious process of exit from the EU, where the government has chosen confrontation and division in place of cooperation and good will. This is clearly not in the UK's self-interest. In March 2021 the government's own Integrated Review of security, defence, development and foreign policy highlighted the need to work with the EU, saying the UK 'will remain deeply invested in the security and prosperity of Europe', but in practice the government is not following its own policy.

3.10.2 Most damaging to the UK's reputation has been the ongoing argument with the EU regarding the role of the Northern Ireland Protocol, under which Northern Ireland remains in the Single Market, in order to avoid the reappearance of a hard land border. Article 16 of the Protocol sets out the process for taking unilateral safeguard measures to suspend its provisions if either the EU or UK concludes that the deal is leading to unanticipated serious practical problems. During 2021, successive threats by the UK to trigger Article 16 – despite the fact that the Protocol is working largely as expected – were based on entirely spurious grounds, and sent a clear message to Britain's partners that the Conservative government cannot be trusted to stick by its word. It risked igniting a diplomatic firestorm not just with European nations but with President Biden and the US, who are guarantors of the 1998 Good Friday Agreement.

3.10.3 The dispute is already threatening other unrelated areas, such as the UK's participation in the Horizon Europe research programme. Adding to this uncertainty are the government's repeated delays in implementing elements of the TCA, such as import checks (now gradually being introduced throughout 2022), and other decisions, such as the deadline for UK chemicals businesses registering with the new UK REACH chemicals safety database (a pointless replacement for the EU equivalent), now probably delayed from 2023 to 2025. On top of this, key elements of the TCA are due to be reviewed in 2025, the same year in which UK fishing quotas will be subject to annual renegotiation. Far from 'getting Brexit done', as the government has claimed, the future is one of continuous uncertainty.

4 Rebuilding trade and cooperation with Europe

4.0.1   Chapter 3 has demonstrated the damage Brexit is causing Britain; and the impacts will only continue to get worse. Liberal Democrats want to end this immense impediment to Britain's hopes of prosperity, security and global influence and to rebuild the UK–EU relationship. We aim to end the fundamental flaws in the relationship the Conservative government has constructed between the UK and EU, which have made trade more difficult, slashed the movement of workers, required pointless and costly regulatory duplication and ended many opportunities for funding and collaboration.

4.0.2   The TCA itself is due for review in 2025, and every five years thereafter. But tinkering with the edges of Britain's relationship with the EU will never be enough. It will not provide the long-term stability which the British economy and people require, nor will it fix the difficulties, burdens and obstacles which the government's decisions have created. Liberal Democrats aim for a fundamental resetting of the UK–EU relationship.

4.0.3   We set out in this and the following four chapters a staged approach to rebuilding the bonds between the UK and EU, from initial, straightforward steps that can be taken unilaterally by the UK to stronger measures designed to deepen the trading and cooperative relationship:

1. **Immediate UK initiatives to repair the UK–EU relationship** – starting with a declaration of a fundamental change in the UK's approach, and including extending mobility schemes, improving channels for foreign policy cooperation and granting full Settled Status to all EU citizens and their families who were living in the UK on 31 December 2020.

2. **Rebuilding confidence** – through seeking to agree partnerships or associations with EU agencies and programmes such as the European Aviation Safety Agency, Erasmus Plus, scientific programmes, climate and environment initiatives, and cooperation on crime and security.

3. **Deepening the trading relationship** – including critical steps for the British economy, such as aiming to negotiate a veterinary agreement

for trade in food and livestock, mutual recognition agreements, and reciprocal deals with the EU on low-cost, fast-tracked work visas.

4. **Applying to join the Single Market**. Once ties of trust and friendship have been renewed, and the damage the Conservatives have caused to trade between the UK and EU has begun to be repaired, the opportunity should arise to remove remaining trade barriers and to restore Britain's economy to health by applying to join the Single Market.

4.0.4   In practice these stages overlap with one another, and we believe that it should be possible to make some progress across all of stages 1, 2 and 3 simultaneously, though at different speeds depending on the complexity and reach of each step. The timing of each stage must remain flexible, since they depend partly on external circumstances and the responses of EU, and EFTA, member states. However, success in any one measure within each stage will make the achievement of others more likely.

4.0.5   We believe that this staged approach makes sense in terms both of the UK's relationship with the EU and the views of the British people. As a result of the Brexit process, and the ongoing actions of the Johnson administration, trust between the EU and the UK is at a low point. The EU does not currently believe that the UK is operating in good faith, and the view of the UK as an unreliable partner will remain, to a certain extent, even when the Conservatives are no longer in power. Stages 2, 3 and 4 above all require agreement from the EU and, in some cases, from the EFTA states too. We need to be realistic about the speed with which the UK can repair its relationship with Europe, and recognise that it will take time and hard work, and that Britain will need to demonstrate its value to EU member states as well as to the UK.

4.0.6   We also believe that this staged approach offers the best chance of convincing the British people that there is an alternative to the antagonism that marks the Conservative government's approach to relations with the EU, and that there are different approaches available that work through trust and cooperation, not hostility and divergence. It offers the best

chance of repairing the fractured relationships between the component nations of the UK, two of which – Scotland and Northern Ireland – have been taken out of the EU against their will. By steadily building a healthier relationship with the EU, we can demonstrate how the UK can become more united, more prosperous, more safe and more influential – and in this way maximise the chance of persuading the electorate to support a renewed UK membership of the EU in the longer term, which remains our objective.

5   Stage 1: Immediate UK initiatives to repair the UK–EU relationship

5.0.1   The easiest steps for the UK to take are the ones it can take on its own. We propose immediate unilateral action to help alleviate the extra burdens and barriers which have been erected as a result of the TCA and at the same time to improve the UK's relationship with the EU and its members.

5.0.2   This should start with a clear declaration of a fundamental change in the UK's approach, setting out its intention to act as a good neighbour to the EU and to repair the damage caused by the Conservatives. This should map out the general direction of travel we set out in this paper, and include commitments, for example to maintaining the regulatory level playing field and not to lower standards of labour, environmental and consumer protection in the UK compared to those in the EU.

5.1   Turing Scheme

5.1.1   The government should immediately inject funds into the Turing Scheme to provide funding for international opportunities in education and training, by introducing changes in line with those set out by the Liberal Democrat Kirsty Williams as Education Minister in Wales:

- Establishing reciprocal partnerships between UK and EU institutions (the lack of reciprocity is a key weakness of the Turing Scheme).

- Improving (and in some cases establishing) the ability of further and vocational education providers, as well as adult education, youth work settings and schools to access the scheme.

- Increasing funding for the Turing Scheme.

5.1.2   To reinforce these steps, the UK should also:

- Seek to negotiate passport-free travel for UK and EU schoolchildren on a reciprocal basis.

- Simplify visa arrangements for students attending bona fide language schools.

5.2   EU citizens in the UK

5.2.1   The UK should ensure that EU citizens and their families with a right to be in the UK are not wrongly denied their rights. The government should automatically grant full Settled Status to all EU citizens who were living in the UK as of 31 December 2020, stop making difficulties for EU citizens and their children for historic reasons of a pre-Brexit lack of 'comprehensive' (i.e. private) health insurance, which is in any case arguably contrary to the Withdrawal Agreement, and provide them with physical proof of their rights.

5.2.2   This step could also help improve the situation of UK citizens in the EU, potentially encouraging EU member state authorities to address difficulties with issues like registration of permanent status or access to healthcare. The government should also work closely with EU member states to ensure that UK citizens have their rights respected – a step which will be easier to achieve if the UK takes the lead by reforming the Settled Status scheme.

5.3   The UK's presence in the EU

5.3.1   Part of the process of rebuilding the UK–EU relationship is to invest in dialogue, in building personal and informal links between the UK and the EU, not just in central government, but through the devolved administrations, local authorities, cultural organisations, chambers of commerce and industry associations and civil society. Establishing new links and repairing old ones, and improving understanding of EU and member-state developments and priorities, will help pave the way to establishing the more formal relationships we set out in stages 2 and 3 below, as well as helping to reduce tensions over existing issues such as the Northern Ireland Protocol, which governs the part of the UK which remains,

in effect, within the Single Market. For other 'third countries' (i.e. non-EU countries) like Norway and Switzerland, the presence of a substantial and expert presence in Brussels and in major EU capitals, for central government, local government, businesses and civil society, is considered routine. The UK should recognise its 'third country' status and emulate them.

5.3.2   This also applies to links with particular EU member states, where the current government's antagonistic approach has damaged relations and undermined Britain's ability to achieve its own foreign policy goals. The government should rebuild these relationships, including in particular with France, where better cooperation over the movement of refugees and asylum-seekers over the Channel is an urgent priority.

5.3.3   The UK and European Parliaments have now agreed to establish the UK–EU Parliamentary Partnership Assembly, as envisaged in the TCA. This represents another opportunity for closer future ties and a better common understanding of the evolving bonds between the UK and EU. We call for it to start meeting as soon as possible, and for the UK government to engage constructively with its work.

6   Stage 2: Rebuilding confidence

6.0.1   The initiatives we include in Stage 2, set out in this chapter, aim to build stronger relationships of mutual benefit through negotiating partnership or association agreements with EU agencies and programmes. In many of these cases, the UK could and should have sought to remain part of these schemes even alongside the TCA, but failed to secure agreement to do so, or – often – decided to opt out. As a result, the UK has found it necessary to duplicate many EU systems and institutions, with either minimal or no advantage, and leading, generally, to an increase in costs and bureaucracy for British businesses and other organisations. For the UK, the steps we set out here represent a pragmatic recognition of the global influence exerted by the EU because of its economic power – the 'Brussels effect'. For the EU, these steps would help to rebuild trust and a belief in the UK's willingness to collaborate, and add resources and scope to many of its existing agencies and programmes.

6.1   Regulatory framework agencies

6.1.1   The chemical industry is of significant value to the UK economy; in 2019, chemicals accounted for almost 10 per cent of UK exports, of which almost 60 per cent went to the EU.[35] Such exports now face significant new barriers as a result of the UK's decision to leave the **EU REACH** (Registration, Evaluation, Authorisation and Restriction of Chemicals) regulatory regime overseen by the **European Chemicals Agency** (ECHA). This requires companies manufacturing, or importing, chemical substances in the Single Market to demonstrate their risk management to the ECHA. The UK has created a new domestic system called UK REACH, overseen by the Health and Safety Executive. Northern Ireland still operates under EU REACH, and companies operating in both the EEA, or Northern Ireland, and Great Britain must meet the regulatory requirements of both regimes.

6.1.2   These changes have created new costs for businesses through having to duplicate registration for two separate systems, with barriers for

non-EEA countries. If UK REACH diverges in the future (at the moment it is essentially the same), manufacturers may have to comply with two different sets of regulations, at an estimated cost of £1 billion.[36] As Steve Elliott, the Chief Executive of the Chemical Industries Association, said in February 2020: 'The EU remains our biggest customer and supplier ... creating a parallel UK regulatory regime for chemicals, whilst still needing to meet the legal requirements of our biggest market place under EU REACH will, in our view, bring no commercial or environmental benefit and could put businesses and jobs at risk right across the country, including seeing a whole new programme of animal testing, something that none of us wants to happen.'[37]

6.1.3   In the immediate term, the government should align regulatory standards with the EU REACH system, with a view to achieving a mutual recognition agreement so that UK businesses can directly register their chemicals when exporting to the Single Market. It should aim at a longer-term ambition for UK association with REACH and the ECHA.

6.1.4   The UK has now left the **European Aviation Safety Agency** (EASA), the European-wide regulator for aviation safety and environmental rules; the Civil Aviation Authority (CAA) acts as its replacement within the UK. Many airlines have expressed concerns at this; as British Airways owner IAG observed, the CAA: 'does not have the expertise required to operate as a world-class safety and technical regulator'.[38] There is no benefit to the UK in possessing a separate regulatory regime, and if EU regulations diverge from UK ones additional burdens will be created for businesses. Countries outside the EU, including Armenia, Georgia, Moldova and Ukraine, work closely with the EASA as 'Pan-European Partners' – a community with which EASA cooperates on the implementation of EU aviation safety rules. The UK should maintain alignment with the EASA, with the aim of association.

6.1.5   UK food safety standards are effectively aligned with the EU's, as a result of EU legislation being enshrined in UK law through the TCA. However, there is currently concern that the UK might lower its own domestic food standards in an attempt to strike trade deals with other

countries, most notably the US. Any divergence would all but end opportunities to export affected UK food products to the EU, with devastating results for British farmers.

6.1.6   Liberal Democrats strongly oppose any undermining of currently high British food standards as a result of Brexit. To ensure that standards remain high, the UK should align with EU food standards. The UK should also request observer status at the **European Food Safety Authority** (EFSA), the European regulatory authority for food standards, like several other non-EU members such as Switzerland, Turkey and Albania, with the intention of negotiating an association agreement in the future. This would reinforce this commitment and help to allay the fears of farmers that their produce might be undermined in the future. It would also prevent businesses in the food sector from having to comply with two separate regulatory regimes.

6.1.7   The UK played a major role in the **European Medicines Agency** (EMA), the body that determines which medicines are safe to use; indeed, it was based in the UK, but has now relocated to Amsterdam. The EMA brings together expertise and resources from across 40 national regulatory agencies and has a good reputation; many countries outside Europe automatically accept its decisions. Its role in the UK has been replaced by the Medicines and Healthcare products Regulatory Agency (MHRA).

6.1.8   Leaving the EMA poses major risks to the clinical and pharmaceutical sector in the UK (the second largest UK goods exporting sector). Not only do UK manufacturers lose any influence on the regulation of medicines at a Europe-wide level, but there is concern that manufacturers elsewhere producing new medicines and medical devices will de-prioritise the UK, resulting in delays for patients waiting to access treatment. There is also concern over the additional costs for the pharmaceutical industry of having to operate to an extra regulatory regime.[39]

6.1.9   Many non-EU countries have mutual recognition and confidentiality agreements with the EMA, including the US and Japan. The government

should immediately seek a comprehensive mutual recognition agreement, and aim to negotiate associate membership of the EMA.[40] This would pose no threat to the UK's ability to authorise medicines more quickly than the EMA process if it so chose, as some have claimed in reference to the covid vaccines. In line with EU legislation, EMA member states are enabled to grant temporary authorisation for a medicinal product in response to the spread of infectious diseases.[41]

6.2   Education and culture

6.2.1   The European Commission's programmes on education and culture were of major benefit to the UK and, significantly, are open to non-EU member states. The government should look to resume cooperation with both of the key programmes: Erasmus Plus and Creative Europe.

6.2.2   **Erasmus Plus** is the EU programme for education, training, youth and sport. The UK had the option to remain an associated country, like Norway, Turkey and Iceland, allowing the UK education sector and students across the country to take advantage of the benefits of the scheme. Despite initially promising to keep the UK in the programme, the government chose instead to become a 'non-associated country', allowing only more limited access. The UK should seek to return to the Erasmus Plus programme as an associated country.

6.2.3   The **Creative Europe** programme funds cultural and creative projects. Prior to Brexit, the UK received nearly €20 million a year (about £17 million); the government's replacement Global Screen Fund is valued at £7 million in its pilot year. Thirteen non-EU countries currently take part in the Creative Europe programme, including Serbia, Albania and Iceland; the government should apply to participate fully in the 2021–27 iteration of the programme.

6.2.4   The **Youth Mobility Scheme** is a reciprocal visa scheme between the UK and certain other countries, allowing recipients to live, work and study abroad for up to 24 months. The Scheme is currently open to citizens

of just nine countries, with three-quarters of visas going to Australians, Canadians and New Zealanders. The government should enter into negotiations with the EU to extend the Youth Mobility Scheme to all EEA member states on a reciprocal basis, with the aim of ensuring that young people are not denied the formative experiences which previous generations have enjoyed. As part of this negotiation, the government should widen access to the Scheme by abolishing fees for these visas, widening the age limit from 18–30 to 18–35 (in line with proposals as part of the UK-Australia trade deal) and expanding the length of the visa from two to three years.

6.3   Research and innovation

6.3.1   The EU framework programmes for research and innovation were one of the few areas where the UK decided to seek continued close collaboration with the EU in the TCA. Under its terms, the UK will have access, in principle, to the Horizon programme, the Euratom Research and Training Scheme, the ITER nuclear fusion scheme and the Copernicus satellite programme, for at least the 2021–27 period.[42]

6.3.2   The total value of the current framework programme for research, **Horizon Europe**, is close to €100 billion. When the UK is able to finalise its status as an associate member, UK-based researchers and academics will be able to compete for grants. But the process of granting associate status is on hold pending resolution of the dispute over the Northern Ireland Protocol. If this cannot be resolved it would represent a huge blow to UK science. Setting up a domestic alternative would take considerable time and would not emulate the key features of Horizon Europe, namely mobility, networking and collaboration kitemarked to international criteria of excellence. This is a good example of where the government's anti-EU posturing in one area is damaging the UK's future in another. The UK should continue to seek a definitive agreement on associate status, commit to membership of the subsequent framework programme in the next funding period (post-2027), and reverse its decision not to join the **European Innovation Council**.

6.4   Climate and environment

6.4.1   The climate and nature emergencies are two of the most pressing challenges the world faces – and they demand more, not less, international cooperation. While there are many steps the UK can take alone to reduce greenhouse gas emissions and pressures on biodiversity and ecosystems, the effect of these will be greater if Britain works together with its EU neighbours, both in the region and globally.

6.4.2   The **EU Emissions Trading System** (ETS) is the main instrument for reducing greenhouse gas emissions from heavy energy-using installations – power stations and industrial plants – and aircraft operators for flights within the EU and EEA. From January 2021, the UK has operated its own ETS, independently of the EU but retaining the same essential structure. An overall cap is set on the total volume of greenhouse gases that can be emitted. Within the cap, companies buy at auction, or are given, emission allowances. After each year each company must surrender enough allowances to cover all its emissions over the year. If a company reduces its emissions further, it can keep the spare allowances for future needs or trade them to another company. The system therefore works both to deliver cuts in emissions where it is most cost-effective to do so, and, since the cap is reduced over time, to increase the cost of emitting greenhouse gases and thus encourage further efforts at reductions.

6.4.3   As we set out in Policy Paper 139a, *Tackling the Climate Emergency: Proposals for Carbon Pricing*, we would seek to link the UK ETS to the EU ETS, in a similar way to the Swiss ETS. This would create a larger market for trading allowances, and therefore drive greater efficiency in reducing emissions. It would create a level playing field for British businesses and their European competitors, so reducing competitiveness concerns. We set out in Policy Paper 139a our proposals for making the UK ETS more ambitious, all of which are consistent with the package of reforms to the EU ETS announced in July 2021.

6.4.4   The **European Environment Agency** gathers data and produces assessments on a wide range of topics related to the environment for the

use of policy-makers and the general public. Its membership is unusual for an EU agency in that it admits as full members other European countries which share its concerns. Current members include all the EU and EFTA member states, plus Turkey, and it has a cooperation agreement with the Balkan countries outside the EU. UK membership, or at least cooperation status, clearly makes sense in collecting and analysing environment-related data.

6.5   Crime and security

6.5.1   Crime is increasingly a cross-border problem requiring international co-operation between law enforcement agencies, and the UK's participation in Europe-wide justice and security programmes has been a critical part. Despite warnings from senior police officers about the damage that losing these crucial tools would do to UK security, the government chose not to preserve them.

6.5.2   UK leadership in **Europol** (the EU Agency for Law Enforcement Cooperation) and **Eurojust** (the EU Agency for Criminal Justice Cooperation) has helped to make them effective at tackling human trafficking, the illegal drug trade, cybercrime and terrorism. While the TCA provides for cooperation between UK agencies and Europol and Eurojust, that crucial strategic leadership role has been lost. The National Crime Agency should aim to work with Europol and Eurojust to develop and implement a joint strategy for dealing with cross-border threats, with the closest possible co-operation on shared priorities.

6.5.3   Direct, real-time access to EU-wide data-sharing systems enabled UK police and Border Force officers to identify and arrest traffickers, terrorists and other international criminals. The **Schengen Information System** (SIS-II) allowed police officers to receive speedy alerts on foreign criminals in the UK and to issue alerts about criminals who may have fled abroad. The UK accessed it more than 570 million times in 2019 alone. The loss of real-time access to the SIS-II database has added complexity, bureaucracy and delays, hampering the ability of already-overstretched police officers to

identify, arrest and extradite foreign criminals, and thereby making British communities less safe. The government should aim to agree association status with the SIS-II system.

6.5.4   The government can and should do more to work with the UK's European partners, including in particular France, on its approach to asylum seekers and refugees, in particular on the recent Channel crossings. Boris Johnson's ideological approach has made cooperation in this vital area harder than it should be. The government should seek urgently to reach a UK–EU agreement for responding to asylum-seekers that prioritises family unity, prevents dangerous Channel crossings, and combats the criminal gangs that profit from people smuggling and human trafficking.

7 Stage 3: Deepening the trade relationship

7.0.1 The steps of Stages 1 and 2 aim to provide confidence in the UK's intentions, building the case for further cooperation across a wide range of shared interests. Stage 3 includes a series of proposals designed to remove barriers to trade and cross-border movements of people, opening opportunities for British and EU businesses and citizens and promoting mutual prosperity. These build in many cases on the closer association with EU agencies and programmes included in Stage 2.

7.1 Regulatory standards

7.1.1 As yet, there has been little divergence in standards between the UK and the EU in areas such as chemicals, medicines, consumer safety, data and food standards; EU regulations were adopted into UK law as part of the Brexit process. However, the UK and EU now possess different regulatory *systems*, and over time differences in regulatory *standards* may emerge, either from a specific decision to diverge from EU regulations, or from the EU introducing new regulations and the UK failing to keep pace.[43]

7.1.2 A major source of concern over the UK-EU trading relationship is the government's commitment – or lack of it – to the level playing field. In the TCA, the government agreed not to water down certain economy-wide principles, such as competition and state-aid rules, labour rights and environmental standards, so as not to undercut investment into the EU. UK government rhetoric on issues such as subsidies and workers' rights, however, often contradicts this – reinforced by many Conservatives' evident desire to deregulate, to scrap consumer protection, environmental and animal welfare standards. If the UK does abandon its level playing field commitments, import duties could be applied to UK goods entering the Single Market, further damaging trade. As we propose in Chapter 5, as part of the steps the UK can take on its own, the UK should make a declaration of its continued commitment to maintain the level playing field and not to lower standards of labour, environmental and consumer protection.

7.1.3   In reality, the EU is a far larger market and exercises a far greater impact on regulatory standards world-wide – the 'Brussels effect' – than the UK can ever hope to. Divergence from EU standards would erect even higher barriers to UK exporters, including often requiring costly double certification and conformity assessment processes. In order to maintain and improve British businesses' ability to export and import, the UK should continue to mirror EU regulatory standards in UK law, aim to reach mutual recognition agreements to avoid double-testing and seek association with or – ideally – full membership of EU regulatory standards agencies.

7.1.4   One area in which the government has announced plans to diverge from the EU is data protection rights, where ministers are now proposing to create a unique data regime to replace the EU's General Data Protection Regulation (GDPR). Divergence from GDPR risks the EU deciding not to renew its designation of the UK's data regime as adequate, which would lead in turn to barriers being erected between the UK and EU's flows of information, creating increased costs for both UK and EU businesses seeking to process individuals' data. This proposal should be scrapped.

7.2   Veterinary and SPS agreements

7.2.1   Agreements on sanitary measures applicable to trade in live animals and animal products (veterinary agreements) and to plant and plant products (the two are often combined in sanitary and phytosanitary (SPS) agreements) are vital to farmers, fishers and the food industry. Under the EU's veterinary agreement with New Zealand – a much closer relationship than it has the UK – certification requirements are simplified and physical checks are reduced. Such a system would by itself be a help to British farmers, fishers and food exporters, but we believe that the UK should aim for a more comprehensive SPS agreement guaranteeing enhanced access for UK food and animal products to the Single Market, with minimal need for checks or documentation.

7.2.2   Such a model already exists in the form of the EU–Swiss veterinary agreement, under which Switzerland has aligned its standards for trade in

animals and animal products with those of the Single Market, removing the need for border checks and certification requirements (with the exception of pet passports and some documentation for live animals). Such an agreement – which the EU offered the UK in 2021 – would mean that British exporters producing chilled meats (e.g. sausages or mince) or molluscs (e.g. oysters) would be allowed to sell into the EU market once more. Many of the checks which the UK is due to introduce in 2022 for imports from the EU would not be needed, and an agreement of this kind would provide a resolution to many of the problems encountered by the Northern Ireland Protocol. Negotiating such an agreement should be an urgent priority.

7.3   Arrangements for UK exporters to the EU

7.3.1   Firms looking to export goods into the EEA now face a host of new processes, including filling customs declarations or hiring a customs agent, registering for EU VAT, and ensuring that their goods comply with the new rules of origin in order to benefit from tariff-free status. Under the TCA, to qualify for tariff-free access into the EU a product must have been significantly processed in the UK or the EU. The extent to which each type of export must 'originate' from the UK or the EU varies significantly – but beyond any difficulty arising from complying with the rules, dealing with the complex paperwork is an onerous task in itself, which has already led many firms to stop exporting certain products.[44]

7.3.2   Addressing the multitude of non-tariff barriers faced by UK exporters will take political determination and concerted effort. The government should offer to begin technical talks to find ways to simplify these complex processes, starting with VAT registration and progressing to association with the EU VAT 'one-stop shop', i.e. one registration to trade with companies in any country rather than EU exporters having to register for UK VAT and UK exporters having to register for VAT in each individual member state they do business with. Ways of streamlining customs declarations and other processes at the border should also be explored. The government should also examine the possibility of a UK-EU agreement on small businesses to boost the backbone of the British economy.

7.4   Financial services equivalence

7.4.1   UK financial services companies have now lost the 'passporting' rights that enabled them to trade freely in the EEA, with minimal need for additional authorisation. The EU and UK initially agreed to develop their post-Brexit trade in financial services through an 'equivalence' framework, through which a jurisdiction decides that the financial services regime of a third country achieves outcomes 'equivalent' to its own, and on that basis grants its firms some access to its market. EU rules recognise roughly 40 separate areas of regulatory equivalence.

7.4.2   This requires the UK and the EU to conduct 'equivalence assessments' determining in how many areas the other authority achieves equivalent outcomes. 'Equivalence' offers far more limited access to a market than 'passporting'. Most core banking and financial activities, like accepting deposits or providing investment services to retail (non-professional) investors, are not covered by equivalence rules. Equivalence decisions can also be unilaterally revoked at any point. Nevertheless, achieving regulatory equivalence in as many areas as possible is the best immediate way for the UK to gain access to the EU market, and vice versa.

7.4.3   To date, the government has only managed to reach an equivalence agreement with the EU in one area, regarding UK clearing houses and derivative transactions, which expires in June 2022; and in July 2021 Rishi Sunak, the Chancellor of the Exchequer, signalled that he had abandoned efforts to achieve further progress. As a first step, therefore, the UK should unfreeze the process and make the signing of a memorandum of understanding establishing an information-sharing forum and negotiation mechanism on regulatory cooperation a priority. The government should also set out a strategy for financial services that places trade with Europe at its core, making it clear that securing additional equivalence decisions remains a strategic objective. The end goal of this strategy should include the eventual deepening of financial services trade beyond the scope of unilateral equivalence decisions.

7.5   Workers and mobility

7.5.1   As outlined earlier, some of the most significant challenges the UK currently faces, from the NHS to farming, are caused by occupational shortages. Any attempt to fix the current problems with the trade relationship with Europe must begin by addressing this. The UK should aim to negotiate reciprocal deals with key EEA member states (this is an area where the EU collectively does not have competence) on low-cost and fast-tracked work visas for key sectors of the economy, including health and social care, science and research, universities, and the creative industries. Reciprocity would enable UK citizens to work elsewhere in the EEA in these sectors, while also enabling UK employers to recruit the EEA citizens they need. Such negotiations should aim to agree EEA-wide visa waivers for touring artists and other creatives.

7.5.2   Mutual recognition of professional qualifications enables doctors, dentists, actuaries, accountants and other professionals to work in other countries without having to take extra exams. The UK and the EU no longer share mutual recognition of professional qualifications. If you are a British doctor seeking to work in an EU country, you now have to comply with the specific rules set out by that member state for third countries (this is also the same for EU nationals working in the UK). Under the terms of the TCA, further conversations on mutual recognition of professional qualifications are possible on a sector-by-sector basis, and the UK should initiate this process via the Partnership Council of the TCA. In particular, we believe that agreeing such recognition for the healthcare sector should be a priority.

7.5.3   The problems of British hauliers, described in Section 3.2, were further exacerbated in October 2021 by the UK government's decision unilaterally to extend 'cabotage' rules, allowing EU drivers (who come with extended-range tanks filled with cheaper diesel) to do multiple pickup and drop-offs in the UK – undercutting UK drivers, who do not enjoy the same rights in EU member states. The UK should aim to negotiate a reciprocal agreement on cabotage rights.

8   Stage 4: Single Market membership

8.1   Options for a closer relationship

8.1.1   Once the trading relationship between the UK and Europe is deepened, and the ties of trust and friendship renewed, there will be the opportunity to place the UK–EU relationship on a more formal and stable footing, ending the state of permanent antagonism and uncertainty that characterises the Conservative government's approach. The steps we set out in Stages 1, 2 and 3, though valuable, will not by themselves be sufficient to remove the barriers to trade and the movement of people between the UK and EU that the Conservative government has erected, and to restore the opportunities which British businesses and individuals have lost. In principle, four main options are available.

8.1.2   **Customs union with the EU (Turkey option)**. The UK could seek to enter into a customs union treaty, similar to Turkey's relationship with the EU. This would ensure tariff-free trade for goods covered by the new customs union, and eliminate significant checks and controls. It would also mean applying the EU's common external tariff to those goods imported from other countries. The customs union might cover only some sectors for trade in goods, and would not include services.

8.1.3   The main advantage of this option is that it would eliminate many checks and controls for trade in those goods covered in the agreement. It would not, however, remove the need for customs documentation (including advance declarations for security checks, movement certificates, invoice and transport documents, etc.) or all checks (these would still be needed for regulatory, VAT and smuggling purposes). UK free trade agreements would need to incorporate the EU's common external tariff, and the UK would not be able to negotiate more preferential agreements with other countries than the EU already possesses. It would require scrapping or renegotiating post-Brexit free trade agreements, though many

of these are mostly simply roll-overs of the previous arrangements the UK had through its membership of the EU.

8.1.4 **Association agreement (Ukraine option).** Another possible alternative is an association agreement creating a 'deep and comprehensive trade area'. Ukraine's association agreement with the EU provides for nearly full access to the Single Market through a special arrangement designed as a potential first step towards full EU membership. This provides Ukraine with extensive market access for goods and services, particularly financial services. Ukraine must abide by the EU's regulations, but there is no free movement of people. This arrangement also covers issues going beyond trade, such as security cooperation. This kind of agreement is likely to be available to the UK only as a staging post towards full EU membership.

8.1.5 **Multiple bilateral deals (the historical Switzerland option**). Switzerland has acquired a distinctive bespoke arrangement with the EU, based on more than 120 bilateral agreements developed over the last two decades. The Swiss achieved tariff-free trade with the EU and limited access to the EU Single Market for services. In return, they accepted free movement of people and the need to comply with the EU's regulations in relation to the parts of the Single Market they access. They retain an independent trade policy, though in practice they often negotiate together with other EFTA countries. However, the EU has made it clear that it does not want to continue on this basis, and began negotiations on an over-arching institutional framework agreement. This was blocked by the Swiss government in May 2021, leaving the future relationship highly uncertain. The historical Swiss option is highly unlikely to be available to the UK. It is noticeable that the UK and Switzerland face similar pressures and difficulties in their relationships with the EU, and it is striking that the EU inclines to treat both as comparable 'third countries'.

8.2   The case for the Single Market

8.2.1   The remaining main option, and the one we believe brings most benefits, is for the UK to seek to join the Single Market through membership of the European Economic Area. This would bring full access to EU and EFTA economies for UK goods and services, as long as regulatory alignment is preserved, ending most barriers to trade (though not rules of origin, and not completely for agricultural products or fish).

8.2.2   This is the logical outcome of the steps we have set out in Stages 1, 2 and 3 of our proposed roadmap, building on the alignment on regulatory standards which we have set out. It would enable British businesses to rebuild their exports to the UK's nearest neighbours in Europe, which will always be the UK's main export market, whatever Conservative ministers pretend. It would also allow free trade in services, a sector which is critical to the UK economy but is barely covered by the TCA and hardly ever included in free trade agreements.

8.2.3   As part of the Single Market, the UK would retain its own free trade agreements (though these could not incorporate different standards from those of the EU), and would not be part of the Common Agricultural or Fisheries Policies, the Common Foreign and Security Policy, or justice and home affairs frameworks. Membership would require a financial contribution to the EU budget, but as with EU membership before 2020, the costs would be substantially outweighed by the benefits.

8.2.4   Single Market membership is more than just an economic option. It would include freedom of movement for UK citizens within the EEA, and freedom of movement for EEA nationals into the UK. Liberal Democrats strongly welcome this. We strongly believe that the free movement of people into the UK has enriched the country, in educational, cultural and economic terms. And free movement enlarges opportunities for British citizens to study, work and live abroad.

8.2.5   As the government's version of Brexit has revealed, many enterprises and public services, including the NHS and social care, depend

on foreign-born workers and are now suffering as a result of the end of freedom of movement. While in a few places there is a perception that the influx of immigrants has caused a strain on local services, the root of any such problems lies with government under-funding, not with immigration. The stronger economy that would come on the back of Single Market membership would allow the much greater investment in public services that is so desperately needed across the country.

8.2.6   Joining the Single Market would also help to create a more united UK. It would resolve many of the problems around the Northern Ireland Protocol, since both Great Britain and Northern Ireland would be fully in the Single Market, removing the de facto border in the Irish Sea. In Scotland and Wales, nationalist parties have been encouraged by the UK's exit from the EU, allowing them to make the bad-faith argument that independence from the UK, followed by rejoining the EU, would reverse the economic damage of Brexit, even though leaving the UK would be far more painful. Single Market membership would dismantle that case.

8.2.7   At present full Single Market membership is open only to member states of the EU and EFTA, so as a first step this would require the UK to apply to join EFTA, which in turn would require the agreement of the other EFTA states – which is not guaranteed – and the UK accepting its institutions, including the EFTA Court and the backstop of EU jurisprudence. Switzerland, in contrast, has had partial form of Single Market membership.

8.2.8   EFTA countries inside the Single Market but outside the EU exercise no decision-making power over the setting of regulations, for instance for product standards, though they are consulted. As we have argued, however, in practice the EU is such a large market that almost all UK exporters would need to meet EU product standards regardless. EFTA states that are members of the EEA are consulted on EU legislation that affects them, and since the UK is such a large economy – larger than all the EFTA states put together – it could expect its voice to be listened to within the EU, once the ties of cooperation and trust have been re-established through the steps we have set out in this paper.

8.2.9   UK membership of the Single Market will also bring benefits to the EU, which would see its own economic and trading opportunities enlarged and bring an end to many existing tensions with the UK. We recognise, however, that thanks to the damage the Conservative government has caused to UK-EU relations, that it is likely to take some time to persuade the EU of the UK's good intentions. We recognise that other options, such as a customs union treaty or an association agreement, may become more immediately practicable once we start the process of rebuilding the UK–EU relationship. No option should be discarded to improve the ties between the UK and its European neighbours, to repair the damage that Brexit has caused to the UK economy and society, and to place the UK where it belongs once again – at the heart of Europe.

9 Summary of the roadmap

Stage 1 – Immediate UK initiatives to repair the UK–EU relationship

A clear declaration of a fundamental change in the UK's approach, setting out the intentions to act as a good neighbour to the EU and to repair the damage caused by the Conservatives.

Reform and increase funding for the Turing Scheme.

Automatically grant full Settled Status to all EU citizens and their families who were living in the UK as of 31st December 2020, and provide them with physical proof of their rights; and work closely with EU member states to ensure that the rights of UK citizens in the EU are respected.

Increase the UK's presence in Brussels and major EU capitals, not only through central government but by devolved administrations, local authorities, cultural organisations, chambers of commerce and industry associations and civil society; improve relations with individual EU member states; establish the UK–EU Parliamentary Partnership Assembly.

Stage 2 – Rebuilding confidence

Seek association or cooperative arrangements with EU regulatory framework agencies:

- In the immediate term align regulatory standards with the ECHA, with a view to achieving a mutual recognition agreement so that UK businesses can directly register their chemicals when exporting to the Single Market, and in the longer term seek UK association with REACH and the ECHA.

- Maintain alignment with the European Aviation Safety Agency, with the aim of association.

- Seek to gain observer status at the European Food Standards Authority, with a view to negotiating full association in the future.

- Seek a comprehensive mutual recognition agreement with the European Medicines Agency and aim to negotiate associate membership.

Improve educational and cultural links:

- Aim to return to the Erasmus Plus programme as an associated country.

- Apply to participate fully in the 2021–27 iteration of Creative Europe.

- Enter into negotiations with the EU to extend the Youth Mobility Scheme to EU and EEA member states on a reciprocal basis. Widen access to the Scheme by abolishing fees for these visas, increasing the age limit from 18–30 to 18–35 and expanding the length of the visa from two to three years.

Support UK and EU research and innovation by pressing for definitive agreement with the EU on UK associate status in Horizon Europe, and committing to membership in the next research programme funding period (post-2027).

Work together with the EU to tackle the climate and nature emergencies by associating the UK Emissions Trading System with the UK ETS and applying to join the European Environment Agency.

Improve cooperation on crime and policing by seeking association with Europol and Eurojust, helping to develop a joint strategy for tackling serious cross-border crime, and aiming for association with the SIS-II information system.

Urgently seek to reach a UK-EU agreement on asylum seekers that prioritises family unity, preventing dangerous Channel crossings, and combats the criminal gangs that profit from people smuggling and human trafficking.

Stage 3 – Deepening the trade relationship

Make an explicit commitment to maintaining the level playing field and not to lower standards of labour, environmental and consumer protection in the UK.

Continue to mirror EU regulatory standards in UK law, aim to reach mutual recognition agreements to avoid double-testing and seek association with or – ideally – full membership of EU regulatory standards agencies.

Aim to open negotiations on a comprehensive agreement guaranteeing enhanced access for UK food and animal products to the Single Market, with minimal need for checks or documentation.

Begin technical talks to find ways to simplify procedures for UK exporters, including VAT registration and rules of origin and streamlining customs declarations and other processes at the border. Explore the possibility of a specific UK-EU agreement on small businesses.

Seek to ratify the memorandum of understanding with the EU on equivalence for financial services, aiming eventually for the deepening of financial services trade beyond the scope of unilateral equivalence decisions.

Open negotiations on reciprocal deals with EEA member states on low-cost and fast-tracked work visas for key economic sectors.

Initiate conversations via the Partnership Council of the TCA to establish mutual recognition of professional qualifications on a sector-by-sector basis.

Aim to negotiate a reciprocal agreement on cabotage rights for hauliers.

Stage 4 – Single Market membership

Once the trading relationship between the UK and the EU is deepened, and the ties of trust and friendship are renewed, aim to place the UK–EU

relationship on a more formal and stable footing, ending the state of permanent antagonism and uncertainty that characterises the Conservative government's approach.

While various options are available in principle, we believe the best option, bringing most benefits to the UK economy and society, is to seek to join the Single Market. This would:

- Bring full access to EU and EFTA economies for UK goods and services, as long as regulatory alignment is preserved, ending most barriers to trade, particularly in services, a critical UK sector barely covered by the TCA.

- Enable the UK to retain its own free trade agreements and resolve many of the problems around the Northern Ireland Protocol.

- Open up freedom of movement for UK citizens within the EEA, and freedom of movement for EEA nationals into the UK, helping to relieve the pressures caused by Brexit for British enterprises and public services, including the NHS and social care, and enlarging opportunities for British citizens.

- Help to create a more united UK, including resolving many of the problems around the Northern Ireland Protocol.

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Rebuilding Trade and Cooperation with Europe

Policy Paper 144

This paper has been approved for debate by the Federal Conference by the Federal Policy Committee under the terms of Article 7.4 of the Federal Constitution.

Within the policy-making procedure of the Liberal Democrats, the Federal Party determines the policy of the Party in those areas which might reasonably be expected to fall within the remit of the federal institutions in the context of a federal United Kingdom.

The Party in England, the Scottish Liberal Democrats, the Welsh Liberal Democrats and the Northern Ireland Local Party determine the policy of the Party on all other issues, except that any or all of them may confer this power upon the Federal Party in any specified area or areas.

The Party in England has chosen to pass up policy-making to the Federal level. If approved by Conference, this paper will therefore form the policy of the Federal Party on federal issues and the Party in England on English issues. In appropriate policy areas, Scottish, Welsh and Northern Ireland party policy would take precedence.

Working Group on Europe

Note: Membership of the working group should not be taken to indicate that every member necessarily agrees with every statement or every proposal in this paper.

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