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Where might UK-EU relations be under a Labour government?

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The new Labour government offers a chance for a new start for UK-EU relations and there are compelling reasons for closer relations. But for better relations the UK will have to both address the causes of Brexit at home and present a compelling offer to an EU that is already moving on.

There is much to think through when considering the future of UK-EU relations under a Labour government led by Sir Keir Starmer. But it is essential to start by analysing how and why Brexit happened. Why is the UK the only country to have decided to join but then leave the European project? The responses to this question are crucial for any consideration of where relations might go after the election.

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Brexiters have tended to offer several answers, but few that are convincing when examined closely. They like to claim that Britain joined what was essentially a free-trade club (the so-called common market) in 1973 but that, after the terrible Maastricht treaty of 1992, it unexpectedly morphed into an undemocratic political union. Yet the truth is that it was unanimously agreed by European leaders as far back as November 1972 that the then European Economic Community should form a full economic, monetary and political union by 1980, a target that was of course missed. It is also worth adding that, since Britain joined in 1973, it has become much clearer that the driving force in the club is not the unelected European Commission or the European Parliament but the European Council of democratically elected heads of national governments.

Brexiters similarly insist that Britain is not really European but rather global, by both instinct and history. Yet Conservative Prime Minister Edward Heath was surely right when he responded to President de Gaulle’s veto in

1963 by saying that “We are part of Europe by geography, tradition, history, culture and civilisation”.¹ Brendan Simms’s book ‘Britain’s Europe’ shows just as clearly that English and later British history has always revolved around Europe.² That was true not just in the medieval period, when French was the elite’s language and English monarchs spent far more time in France than at home, but even when Britain acquired the world’s biggest empire in the 18th and 19th centuries, since this was driven largely by European great-power rivalry. In this sense ‘Our Island Story’, a 1905 book much favoured by Brexiteers, is essentially as mythical as that great spoof ‘1066 and All That’ which was published 25 years later. Moreover, France, Portugal and Spain were global imperial powers long before Britain assumed the role.

Brexiters also argue both that Britain’s trade is more global than that of other European countries, and that being linked to the EU has held the economy back as it has meant being shackled to a corpse with excessive Brussels red tape. Yet the historical evidence shows unequivocally that British economic growth was boosted, not reduced, by membership. On trade, the share of UK exports going to the EU has actually risen back above 50 per cent recently. Several EU countries such as Germany, France and Italy are also bigger exporters to China and even to India than the UK. And since 2016 British GDP per head in real terms has grown more slowly than that of all EU members bar Germany. Most reliable economic estimates reckon that Brexit has reduced GDP by around 4 per cent compared with what it would otherwise have been. Goods exports are down by 15 per cent, and business investment has stagnated at best. As an aside, it is worth looking hard at all Brexiteer claims to the contrary: they mostly ignore the fact that British growth was stronger than the rest of the EU’s before Brexit, they

1: Edward Heath, ‘The Course of My Life’, 1998.

2: Brendan Simms, ‘Britain’s Europe’, Penguin Books, 2017.

almost always focus on GDP and not GDP per head, and they tend not to adjust for inflation.

As for the supposed burden of EU regulation and red tape, this has always been hugely exaggerated. EU directives generally aim to standardise, not to increase the level of regulation within the single market. The laws that actually do the most to hold the British economy back are largely domestic ones, notably around planning, the minimum wage and other labour-market rules. Most businesses, even those in the City of London, prefer to stick to EU regulations, if only because they have to if they wish to trade into the single market. And it often turns out that it was successive British governments of both parties that gold-plated and thus increased the burden of EU directives when they were translated into domestic law.

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A more convincing Brexiteer argument for leaving the EU concerns sovereignty. EU membership undeniably involves some transfer of sovereignty, not least because ever since the van Gend en Loos and Costa rulings of the early 1960s, it has been established that the jurisdiction of the European Court of Justice (ECJ) overreaches that of domestic courts. This was something the Heath government deliberately glossed over in its 1971 white paper, which claimed that “There is no question of Britain losing essential national sovereignty”. On the other hand, many similar complaints about a transfer of domestic sovereignty could be raised over membership of NATO, the World Trade Organisation and many international courts and treaties, several of which Britain pioneered. And any transfer of sovereignty to the EU that has taken place is not irreversible - indeed, Brexit demonstrated that it is possible to take back control simply by leaving the club!

There are however four more persuasive explanations for why a majority of voters supported Brexit in 2016. The first is history, but not in the broad imperial sense of ‘Our Island Story’. It is rather the fact that, alone of European countries, Britain emerged from 1945 with its politics and nationhood intact and even enhanced. It is true that Winston Churchill was a pioneer when he said in Zurich in 1946 that “We must build a kind of United States of Europe”.³ But it is also true that he clearly did not want this Union to include Britain. And when just four years later Herbert Morrison, the Labour deputy prime minister, said, on being invited to consider joining the nascent European Coal and Steel Community that “The Durham miners won’t wear it”, he epitomised a British reluctance to be

involved in all such airy-fairy ideas.⁴ Being a perpetual latecomer has had a strong negative impact on how the entire European project is seen in Britain.

Another explanation can be found in the terms of Britain’s accession in 1973. Britain was not alone in finding itself in the uncomfortable position of having to accept whatever Brussels had laid down: that is essentially how every enlargement of the club has worked, and it is also something the new Labour government will learn when it seeks better terms from the EU. Yet when the British negotiator Sir Con O’Neill said in 1971 that we must “swallow the lot and swallow it now”,⁵ he was clearly signalling that the entry terms were disadvantageous. Indeed, it could be argued that the Common Agricultural Policy, the Common Fisheries Policy and the budgetary “own resources decision” of 1970 were all purposefully designed to disadvantage the UK. Within a few years of joining, Britain was on course to become the largest net contributor to the EEC budget per head, despite being the eighth-poorest member of the nine-strong club.

This matters historically, because when Margaret Thatcher came to power in 1979, the injustice of the budget deal became her principal European bugbear. The five-year fight that ended with the agreement in 1984 of the Fontainebleau corrective mechanism not only soured relations with our partners. It also fostered a widespread belief across the political spectrum that Europe would always be a zero-sum game of winners and losers, a battlefield on which it was always going to be Britain against all the rest. This especially infected the Conservative Party that was then in power. But it even spilt over into Tony Blair’s pro-EU Labour government, when Gordon Brown proved to be a chancellor determined, like so many of his predecessors, not just to fight hard over budgetary contributions to the EU, but also to stand aside from any moves towards monetary union.

The third explanation for what happened in 2016 was a general lack of knowledge and understanding of the entire European project and how it operates. Founding members are obviously less subject to this, because they were there from the beginning. But even later joiners like Ireland, Greece, Spain and Portugal proved to be faster learners than Britain. A particularly telling example is Denmark, which was for many years after 1973 in the vanguard of euroscepticism after joining at the same time as Britain. Denmark has often rejected draft treaties, more or less invented the entire notion of opt-outs and has chosen through its Folketing to constrain what the Danish government is allowed to agree to in Brussels far more tightly than the House of Commons ever managed. Yet Danish MPs, diplomats, civil servants, journalists and other actors in society were

3: European Commission, ‘Winston Churchill: Calling for a United States of Europe’, June 2016.

4: BBC, ‘The European Coal and Steel Community turns 60’, August 10th 2012.

5: Robert Tombs, ‘Britain and Europe: An uneasy history?’, March 29th 2016.

also quick to learn about and seek to understand the European project. The British establishment has always been a notable laggard in comparison.

And that contributes to a fourth specific cause of Brexit: the role of the media. Britain is not alone in Europe in having a robust and influential popular media: just consider *Bild* in Germany, a paper with much higher circulation than any British tabloid. But Britain is unique in the strength of anti-EU sentiment that a sizeable chunk

of the media parades. Much of this reflects at best a lack of understanding of the EU and how it works, particularly the respective roles of the Council, the Commission and the Parliament. Some is just the repetition of entertaining euromyths that were touted by the likes of Boris Johnson in the *Daily Telegraph* in the 1990s. Either way, it both reflects and influences public opinion, as well as the prejudices of media owners, a group that includes several wealthy foreigners, expatriates and non-doms.

An EU agenda for Labour

All of these four points are highly significant when it comes to considering future UK-EU relations under a Labour government. For although Sir Keir Starmer is sure to be welcomed around the continent as the most pro-European British prime minister since Sir Tony Blair, perhaps even since Sir Edward Heath, he will be boxed in not just by the 2016 Brexit vote and the fact of having left, but also by its causes, and even by some strands within his own party. After all, until the 1990s it was more often Labour MPs, and not Conservative ones, who were the most sceptical about the European project, to such an extent that under Michael Foot the party proposed in its 1983 manifesto to withdraw without another referendum. Although the parliamentary party under Sir Keir is now heavily pro-European, many in the grassroots still see the EU as a capitalist free-market conspiracy that is fundamentally opposed to the true path of socialism.

“[Starmer] will be boxed in not just by the 2016 Brexit vote, but also by its causes.”

Yet the atmosphere has also changed markedly since 2016, in three crucial respects. The first is the obvious one that, despite Boris Johnson’s Tory landslide of December 2019 after his promise to “Get Brexit done”, Sir Keir Starmer has just won a huge, even unprecedented, parliamentary majority for Labour. The second is that repeated polls find that a large majority of voters now believe that the 2016 decision to leave the EU was a mistake. This does not mean that all those who voted Leave have changed their mind, though some certainly have. It is more that those who did not vote in 2016 now break predominantly for Remain, while young people are overwhelmingly Remainers and the passage of time means that old Leavers are naturally disappearing. And the third point is that few people, whether pro-Remain or pro-Leave, and whether in Britain or in the EU, are entirely satisfied with the thin EU trade and co-operation agreement (TCA) that was negotiated in 2020 by Boris Johnson and his negotiator David Frost.

So what can be done to improve it? In the election campaign and in its manifesto Labour was remarkably quiet, perhaps too much so, about Brexit. It had clearly decided, despite the polling evidence and Sir Keir’s own beliefs, that there were few votes to be gained by talking about a closer relationship with the EU and that there might have been some to lose, especially among the Red Wall voters who had come out for Boris Johnson in 2019. Although the politics behind this decision are understandable, it may not have been right to ignore Brexit entirely, if only because the future relationship with the EU is now certain to be a crucially important issue for the new government.

Moreover, plenty of Labour voters, especially younger ones, have made clear that they would like to move closer to Brussels, and at least some would like to reopen the debate over membership of the single market and customs union. But for now Labour under Sir Keir will be bound by its firm manifesto pledge that “There will be no return to the single market, the customs union, or freedom of movement”. The most that Labour is ready to consider, given these red lines (which are strikingly similar to those laid down by Theresa May in 2016-17), is to build a thicker relationship than the current thin TCA.

Labour has correctly recognised that the place to start with should be foreign policy, defence and security. David Lammy, the Labour foreign secretary, is keen on this, as he confirmed in his recent *Foreign Affairs* article.⁶ The Brexit vote in 2016 happened eight years ago, at a time when the world seemed comparatively safe. Since then the election (and now possible return) of Donald Trump, Vladimir Putin’s war on Ukraine, the increased authoritarianism of China under Xi Jinping, a growing backlash against legal and illegal immigration and even the after-effects of the pandemic have all combined to make the world look a much more dangerous place.

Given this, it seems in retrospect a clear mistake by Johnson and his advisers to have rejected the provisions in the political declaration for continued close security

⁶: David Lammy, ‘The case for progressive realism: Why Britain must chart a new global course’, *Foreign Affairs*, April 17th 2024.

and foreign-policy co-operation with the EU. The Brexit vote was about many things, but it certainly was not about a rejection of foreign-policy co-ordination. Precisely what form a closer relationship might take remains to be seen, though it could include attending some general affairs councils, some co-ordination of defence spending (including widening access to the European Defence Fund) and renewed efforts to work jointly through institutions like Europol and Eurojust in countering criminals and terrorists. In this area at least, unlike many others, the big EU countries know that they may need Britain as much as Britain needs them.

“Neither British business nor public opinion sees much merit in diverging from EU rules for its own sake.”

A second priority should be improved mobility. This analysis has not mentioned immigration and free movement much so far, but they were clearly hugely significant drivers of the 2016 vote. That net immigration has actually risen and not fallen since Britain left the EU is now one more cause of Brexit disillusion and most notably of the rise of the Reform UK party under Nigel Farage. Yet paradoxically so are undesired obstacles to travel, problems for school groups and musicians, visa and border hassles, the 90-day rule and much else. Young people in particular, from both Britain and the continent, would welcome easier and cheaper travel around Europe. It seems baffling that Labour immediately rejected a recent draft Commission proposal for enhanced youth mobility. Now that it is in power it should be willing to negotiate over it. That could include consideration of rejoining the Erasmus student scheme, even though unlike Horizon and Copernicus this would probably cost the UK money as more EU students want to come to Britain than vice versa.

Labour has also suggested that it would pursue mutual recognition of professional qualifications. There is similar talk of seeking greater mutual recognition of conformity assessment. It is true that the EU has agreed some deals in both areas with third countries, including Canada, New Zealand and Switzerland. Yet it may be wary of giving a similar deal on conformity assessment to such a large and close competitor as Britain, so long as it refuses to consider joining the single market or to accept any jurisdiction for the ECJ. And the most ambitious deals on professional qualifications have only been given to countries like Norway and Switzerland, that accept freedom of movement.

It may be easier to negotiate a special veterinary and food deal, since that could clearly benefit both sides. This is always the most sensitive area for EU border and

7: David Frost, 'Reflections on the revolutions in Europe', February 17th 2020.

customs checks, because farmers matter and public opinion almost everywhere is against imports of GMOs, chlorinated chicken and so on. A veterinary deal would be a boost for British farmers who have found exporting into the EU since 2021 hard or near-impossible; it would also help EU farmers and traders who have recently been hit by the belated introduction of UK border and sanitary controls. It would equally do much to further soften the impact of the Northern Ireland protocol after the Windsor framework, by lifting the most onerous remaining border checks in the Irish Sea. Yet it would not be straightforward to negotiate and removing checks completely would require harmonisation with EU rules and some sort of ECJ jurisdiction. And it is not certain that the EU would be ready to agree to it, either.

Next is energy and the environment, two areas of policy where the case for greater cross-continental co-operation should be clear even to the most fanatical Brexiteer. Electricity generation and transmission is a business in which stronger ties across borders are increasingly vital. Britain badly needs better and clearer arrangements for importing and exporting electricity to and from France and other North Sea neighbours. Similarly, it makes no sense for Britain and the EU to operate different carbon-adjustment border mechanisms, not least because if they did that might mean imposing new charges on some goods trade between the two.

These are all elements of a broader issue that Labour will need to grapple with quite early on: regulatory alignment. Brexiteers like David Frost have long maintained that regulatory divergence is a key benefit of leaving the EU: indeed, Frost once argued that without it there would be no point at all in Brexit.⁷ They suggest that Britain could gain competitive advantages over the EU in new fields like artificial intelligence and innovative drug treatments if it moved away from Europe's precautionary principle, which is widely seen as an obstacle to innovation.

Yet neither British business nor public opinion sees much merit in diverging from EU rules for its own sake, still less in large-scale deregulation on the so-called Singapore model. As Rachel Reeves, the new Labour chancellor, has said, there is absolutely no advantage to be gained by replicating at home the EU's Reach system of chemical regulation, at huge cost to the British chemical industry. Tim Shipman's new book 'No Way Out'⁸ confirms that Theresa May's failed Brexit deal, which proposed a 'common rulebook', implied full regulatory alignment for goods via the Northern Irish backstop, a big part of the explanation for its rejection by Tory MPs. Yet unlike Lord Frost, Starmer and Reeves have made clear that they see little point in deliberately pursuing regulatory divergence.

It is however true that almost any form of regulatory alignment implies being largely a rule-taker and not a rule-maker, and also being at least implicitly subject to

8: Tim Shipman, 'No Way Out', William Collins, August 2024.

the jurisdiction of the ECJ. That does not seem unduly to bother other non-EU European countries such as Norway or Switzerland. But it would be difficult for Britain to accept in its biggest areas of competitive advantage, most notably in financial services. Unilateral alignment on EU standards would not be enough, either: if alignment is to bring any significant benefits for many sectors, it has to be dynamic alignment, which means agreeing to adopt all future changes to EU rules. Even then, without a customs union alignment would not remove the need for onerous rules-of-origin checks at the border.

Indeed, the biggest concern about all suggestions for improving the post-Brexit relationship is that the benefits of moving closer to the EU are relatively small so long as

Labour insists on ruling out membership of the single market and customs union. Joining Norway in the European Economic Area (EEA) or seeking a deal more akin to Switzerland's would have a much larger positive impact, as both are in effect in the single market, at least for goods. But they also accept the free movement of EU citizens, as well as making substantial payments into the EU budget, neither of which would be easy to sell to British voters right now. Meanwhile, although joining a customs union would do much to remove the Irish Sea border, it would preclude free-trade deals with third countries, including those already struck with Australia and New Zealand. The fact is that any moves to bring Britain closer to the EU will always involve awkward trade-offs, not least in balancing rights and obligations.

Convincing the EU

And this leads to the biggest problem of all when assessing the future UK-EU relationship, which is that even under Keir Starmer Britain will remain a supplicant, and so dependent on what the EU is prepared to offer. Tim Shipman's books about Theresa May and Boris Johnson confirm that successive Tory governments focused excessively on internal arguments about what sort of Brexit they wanted, with remarkably little regard for what Brussels and national capitals might actually be prepared to offer. The EU's fierce desire to protect the integrity of its single market and customs union has been repeatedly underestimated in London. The Brexiters' notion that German carmakers, Italian prosecco producers and French cheesemongers would all be so desperate to retain access to the valuable British market that they would force their governments into making concessions proved, quite predictably, to be just another illusion.

“The truth is that many in the EU now see Brexit as largely done and dusted.”

The EU has a well-deserved reputation for being a tough, even ruthless, negotiator when it comes to trade. It is almost always the bigger partner in such negotiations - and when it is not (as with America) it often fails to reach an agreement. Reasonably enough, when it comes to any talks with third countries, the EU will always look to its own interests above all else. This does not mean there will be no sympathy for a Starmer-led Britain or for improving relations with an important neighbour. Far from it, there will be enthusiasm for the new prime minister, just as there was for Tony Blair in 1997. A closer relationship would also benefit one significant EU member, in particular: Ireland. Yet none of this will easily translate into a softer approach to negotiations over trade matters. The EU is likely to want other concessions in exchange, for

instance fuller access to British fishing waters. Moreover, the EU is well aware of the continuing hostility of much of the UK media and of many in the political class to any form of closer relationship.

The truth is that many in the EU now see Brexit as largely done and dusted. They have bigger concerns than Britain, starting with decisions on the club's leadership and moving on to relations with Russia and America and the question of future eastward expansion. Most EU members see the Brexit trade deal as working perfectly satisfactorily for them, even if it does not work so well for Britain. And they have no desire to embark on large-scale renegotiation. The Commission sees the review of the TCA that is due in 2025-26 as a largely technical exercise, not an excuse to reopen the treaty. Yes, there is some interest in closer foreign-policy and defence co-operation as well as in an enhanced mobility deal. But there is much less interest in new trade arrangements, and there is always a strong aversion to Britain's instinctive fondness for cherry-picking. Labour will have to overcome this reticence and provide a credible and compelling offer to win over skeptics.

Another consideration for the EU will be how the Conservatives in opposition might react to any improvement in the relationship. One of the biggest problems for Theresa May in 2018-19 was that many in the EU doubted whether any Brexit deal that they were prepared to accept would ever be ratified by her MPs. That was not a problem for Boris Johnson after December 2019, and it may not be one for Sir Keir Starmer, given his huge majority. But what could be tricky would be Tory threats to reverse any changes that Labour might seek to agree with the EU, such as a veterinary agreement or some form of customs union. If the Tories were to move in an even stronger eurosceptic direction after losing the election, that would be highly problematic. A continuing hostile press would only aggravate this.

Even so, there is one final area which Labour should be starting to think about more carefully: the gradual emergence of a genuinely multi-tier, multi-speed EU. It is a famous truism that nobody can ever step into the same river twice. The EU is changing all the time. Since the Brexit vote in 2016 and the pandemic of 2020, it has for the first time made a large bond issue in the form of the next generation European fund, so as to funnel resources to poorer countries. It has also become both more interventionist and more enthusiastic about industrial policy, rather than always cleaving to the pure faith of competition and free trade. And perhaps most important, it has belatedly begun a serious debate about its own future enlargement to the east, recognising that after refusing to let in any new members following the entry of Croatia in 2013, it must now be more serious about admitting other west Balkan countries, as well as Ukraine, Moldova and the Caucasus trio.

“What is possible will always depend on tackling some of the underlying causes of Brexit.”

Any such enlargement could fundamentally change the nature of the EU. For one thing, without reform it would mean that most of the current 27 members would have to become substantial net contributors to the EU budget. Quite apart from the Thatcher experience of being a big net contributor, one only has to look at how EU policy has changed in the Netherlands after the Dutch switched from being net beneficiaries into net contributors in the 1990s to see how momentous this might be. And the prospect is already giving rise to more debate about the structure and nature of membership of the club.

There was great interest in London last autumn in an unofficial Franco-German paper on future enlargement,⁹ which suggested that the EU might need to move towards different categories of associate membership, such as partial participation in the single market without necessarily taking on all of its obligations. The implication was that the old ‘Barnier staircase’, which was an attempt to decree that British red lines must mean that only a free-trade deal like Canada’s was possible, might be gradually collapsing. The Franco-German paper explicitly said that its ideas might one day be of interest to Norway, Switzerland and the UK. There is similar interest in Emmanuel Macron’s European Political Community, which embraces many non-EU countries and meets under

British chairmanship in Blenheim on July 18th, an occasion which is likely to be Starmer’s first opportunity to engage with fellow European leaders. All this could open up new chances for the UK to start looking for a more congenial position in Europe.

One conclusion is that Labour should be doing a lot more in preparation, in pushing harder for improvements in the current Brexit deal, in educating its own MPs and the wider public about the EU, and in building closer links with sister parties. What has happened to the old strong relations with the German SPD, for instance? There is also a risk of reversing the old Brexiteer mistake of always looking to national capitals, and avoiding dealing directly with the EU institutions. This time around negotiations may be more political than in 2017-19, so that although the EU institutions will still matter hugely, it could be more productive to look to leaders in Berlin, Paris, Rome and Warsaw for support. Above all, Labour must visit, talk and learn widely. One of the worst effects of Brexit has been a loss of knowledge and contacts across the Channel, something that is already aggravating the old British problem of ignorance about the EU and how it works. This needs urgent rectification.

What might be the eventual destination? Nobody can know. It could merely be a few additions that amount to an enhanced TCA. It could be something that starts to look closer to a Swiss arrangement or to the failed May deal from 2018-19. It could one day be renewed consideration of membership of the EEA. It could even be the start of a fresh debate within Britain over the merits of EU membership. Everything will take time, and what is possible will always depend on tackling some of the underlying causes of Brexit in the first place. It will also depend on how opinion evolves inside the EU as well as inside the Conservative Party as much (or more) than within Labour. Yet a (possibly optimistic) conclusion might be that, even if the eventual destination is fuzzy, the direction of travel is not: it is towards significantly closer integration with the EU than Britain has today.

John Peet

Associate and Brexit editor, *The Economist*

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This essay is an edited and substantially expanded version of a talk originally given by the author to the Sir Edward Heath Foundation at Arundells in Salisbury on May 29th 2024.

9: Franco-German Working Group, ‘Sailing on High Seas: Reforming and Enlarging the EU for the 21st Century’, September 18th 2023.