



EU-UK relations: Towards a post-election agenda

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Britain's next government needs a coherent strategy towards the EU, ranging from trade and regulation to energy, foreign policy and defence.

Introduction

During the UK's election campaign, both the Conservatives and Labour have been sticking to well-worn lines on Brexit. The Conservative [manifesto](#) is studded with references to seizing Brexit freedoms to repeal or reform unspecified EU regulations, and baseless claims that Brexit has enabled the UK to do things like build more housing. Labour's [manifesto](#) calls for "an improved and ambitious relationship with our European partners", but the specifics are rather unambitious.

Whoever wins the election – and it seems almost certain to be Labour – will have to think about reshaping the UK's relationship with the EU, in the interests of the UK's prosperity and security. Four years after Brexit, the EU is still the UK's largest trading partner, and Putin's invasion of Ukraine has underlined that Euro-Atlantic security remains critical for the UK.

The UK's approach to relations with the EU will need to take account not only of what Britain wants, but also of what its EU partners are willing to contemplate. The EU institutions and the member-states would generally welcome better relations with the UK. However, improving relations with London will not be a top priority: EU leaders will be focused on internal priorities like implementing the Green deal and preparations for the next seven-year budget starting in 2028. Putin's war on Ukraine, metastasising conflicts in the Middle East and (potentially) a Trump presidency in the US will also take up much of the Union's attention.

In the following sections CER experts assess the choices that the incoming British government will face on Europe in different areas, from trade and regulatory co-operation, to migration, foreign policy, defence, and climate policy.

Trade: Is Labour encouraging false hopes that post-Brexit barriers can be lowered?

From the EU's perspective, the trade relationship with the UK has been settled through the Windsor Framework for Northern Ireland and the Trade and Co-operation Agreement (TCA) for broader trade questions. The challenge for the next British government is that this set of solutions is hardly satisfactory for British businesses: they face reduced market access and increased costs of trading compared with when the UK was an EU member. Neither exporting manufacturers nor importers have fully adjusted to a post-Brexit reality of increased trade friction, in part because the UK is only now introducing many border checks for imports. The next British government will face intense pressure to improve the TCA to reduce costs and secure as much market access as possible.

In this respect, a Labour government is likely to disappoint many. Labour's three red lines – no customs union, no single market membership and no freedom of movement – will limit the potential improvements. In particular, the prospects for improving market access for services while respecting the red lines are very limited. There will be border checks as long as there is a customs border. There will therefore be no return to the frictionless trade that existed pre-Brexit.

On the positive side, Labour have promised to seek improvements in three areas: recognition of professional qualifications, visa exemptions for touring performers and a veterinary agreement. Mutual recognition of qualifications will likely prove difficult to achieve, except perhaps for limited deals for specific professions, since the pre-Brexit system of broader mutual recognition was directly tied to freedom of movement. Similarly, a visa exemption agreement could help British performers touring in some EU countries (though many do not require visas or work permits anyway) but will not affect customs costs for transporting instruments or stage equipment.

The most significant of Labour's promises is the proposed veterinary agreement, which could reduce or even eliminate expensive sanitary border checks on food products, to the benefit of both exporters and consumers. Elimination of border checks would, however, require the UK to accept dynamic alignment with EU regulation and a role for the European Court of Justice. If the UK accepts such an arrangement, there will be pressure for it to accept similar arrangements for other types of goods. Rachel Reeves, the shadow chancellor, has already hinted the list of improvements is not exhaustive, saying "I don't think anyone voted Leave because they were not happy that chemicals regulations were the same across Europe."

For goods and product regulation in general, there are powerful incentives for some type of UK dynamic alignment with the EU, even at the expense of becoming a rule-taker. The UK market is not large enough to sustain a separate set of regulatory requirements for many products and UK exporters would prefer to comply with only one set of rules for both their home market and exports to the EU. Labour would do well to lay out a trade strategy and take the time to conduct stakeholder consultation to have a clear view of industry interests before engaging with the EU. A UK with a coherent strategy and a clear view of the trade-offs required could find an audience in Brussels for a mutually beneficial agreement and with less concern about 'cherry-picking' than during the Brexit negotiations. And even in areas where dynamic alignment is unlikely to be an option, such as for services in general, there could still be mutual interest in dialogue and co-operation.

Regulatory co-operation: Is divergence for its own sake a thing of the past?

The UK heavily influenced sector-specific regulation as an EU member, meaning that UK regulation is largely still aligned with that of the EU. There has been little reason for the UK to diverge except in narrow areas – and often more for show than with the expectation of huge economic gains. Regulatory divergence has [largely ceased](#).

Even in technology, an area where the EU has passed swathes of new laws since Brexit, the UK is likely to remain aligned with Brussels. The UK followed the EU's Digital Services Act with its own equivalent, the Online Safety Act. While the EU passed the Digital Markets Act to tame the market power of big tech firms, the UK scraped through its own equivalent regime in the final days of the last parliament. The Conservatives' much-mooted changes to EU data protection laws, on the other hand, did not pass – and are unlikely to be picked up by Labour, meaning that the UK will continue to follow the General Data Protection Regulation. Even on artificial intelligence, an area where the Conservatives had wanted to take a lighter-touch approach than Brussels, Labour now seems inclined to support an overarching law which might look like the EU's AI Act, at least in relation to large AI foundation models.

This trend of regulatory convergence is likely to continue whoever wins the election. As the EU continues to pass and implement new regulations – much of it deliberately trying to change the behaviour of firms outside the EU on issues like the environment and human rights – British businesses will have to meet these standards to access the European market. And businesses focused on exporting to the EU will lobby to have the same standards mandated for all UK companies, so that their domestic-oriented competitors cannot undercut them. Furthermore, if the UK does not follow the EU's rules, it risks seeing global exports that do not meet EU standards diverted to Britain, harming the UK's own producers.

In many areas of regulation, EU-UK co-operation is already occurring at a technical level, including in the working groups established under the TCA, and between regulatory agencies. For example, after UK Prime Minister Rishi Sunak signed the Windsor Framework, the EU finally adopted an agreement for regulatory co-operation with the UK in financial services. Many of the EU's regulators are under-resourced, and Britain's budget-constrained civil service is similarly struggling to cope with its ballooning post-Brexit workload. So, for both sides, sharing knowledge and expertise makes sense. For the UK, co-operation would also give the country a voice in important regulatory activities in the EU such as the drafting of the EU AI Act's Codes of Practice, which will likely influence the business practices of AI firms both within and outside Europe. Commission Executive Vice President Margrethe Vestager has indicated she would countenance a structured engagement between the European AI Office and the UK AI Safety Office.

Co-operation has not always worked – for example, the UK's Competition and Markets Authority (CMA) has tried to take a stricter line than the European Commission on some aspects of competition policy, such as when it reviewed the Microsoft/Activision tie-up. But the CMA was widely perceived to have been forced to back down in that case, highlighting the danger of UK regulators being seen as global outliers.

In some areas, like financial services, the EU is likely to continue to see the UK as a competitor, despite the benefits that bringing in the British could deliver for the EU's desire to boost private investment to support more innovative businesses. However, a Labour government could seek more high-level political co-ordination in other areas. On technology, for example, the US and Canada have a 'regulatory co-operation council' and the EU and US have been co-operating through their Trade and Technology

Council (TTC). The EU has been so far unwilling to contemplate a similar arrangement with the UK, but this may change if UK-EU relations become warmer. Maintaining convergence would support the current [desire](#) in the EU to encourage European firms to build scale so they can better compete with American and Chinese giants. The TTC has so far achieved disappointing results, but this was partly due to US legislative gridlock, which gave the Biden administration little ability to pass laws; a TTC-like format might have more value with the UK, particularly if the new British government has a large majority in parliament.

Co-ordinating approaches to regulatory issues would give the EU and the UK global influence and reduce barriers to cross-border trade. It would also help ensure any regulatory divergence occurs knowingly and the EU and UK can prepare for the consequences of any divergence.

Foreign and security policy: Can the UK and EU build on their co-operation in responding to Russia's invasion of Ukraine?

Labour sees foreign and security policy co-operation with the EU as low-hanging fruit in the quest for a better relationship with the UK's neighbours: closer alignment between the EU and the UK in dealing with external and internal threats should be a win-win proposition. It should be less domestically controversial than improved trade arrangements, which might require the UK to accept EU regulations without being able to influence them. The European Court of Justice, often a target of Brexiters, also plays almost no role in the EU's Common Foreign and Security Policy (CFSP).

Thanks to the discussions that took place within the British government and between the UK and EU before Brexit, the new government will find plenty of material on which to base its foreign and security policy offer to the EU. The [political declaration](#) that accompanied the EU-UK Withdrawal Agreement of October 2019, accepted by then prime minister, Boris Johnson, said that the UK and EU supported "ambitious, close and lasting co-operation on external action", including foreign policy, security, defence and international development, and that they "should establish structured consultation and regular thematic dialogues identifying areas and activities where close co-operation could contribute to the attainment of common objectives". There were supposed to be dialogues at ministerial, senior official and working level (of the kind that the EU has with other partners, such as the US and Canada). The UK could be invited "where appropriate" to informal meetings of EU foreign ministers.

When it came to negotiating an agreement on the future EU-UK relationship, however, Johnson and his chief negotiator, David Frost, decided that they did not want to take forward these elements of the political declaration. The only vestigial elements that remained of the arrangements proposed were dialogues on cyber-security, non-proliferation, controlling the trade in small arms and light weapons, and counter-terrorism.

Russia's attack on Ukraine has led to [good informal co-operation](#) between the UK and EU, particularly on sanctions. But the relationship has not yet been put to the test in circumstances where the EU and UK do not see eye-to-eye. That is when a more structured relationship, with regularly scheduled meetings, should force the two parties to discuss their positions and might put pressure on them to find common ground.

Given that the political declaration is an agreed EU-UK text, it would make sense for the incoming government to take it as a starting point for co-operation, and then explore whether the two sides could

go further. With its permanent seat on the UN Security Council, its extensive network of diplomatic posts and its significant development assistance budget (even after cuts in recent years) the UK should be an attractive partner for the EU. But London should avoid approaching discussions on foreign and security policy co-operation as though the EU has more to gain from a closer relationship than the UK does: the reality is that the EU's size and economic heft will generally give it more influence than the UK on its own in areas such as development co-operation or sanctions. The EU will also be reluctant to offer the UK a special status in relation to the Union's foreign and security policy that goes beyond that of partners like the US, Canada or Japan: regular meetings are the norm, but not some kind of 'observer status'.

Defence policy and defence industrial co-operation: How special is the UK's contribution to European defence?

The EU is not normally thought of as a defence actor. But the EU runs military and civilian operations and is becoming a significant player in the defence industrial field. In 2017, EU leaders launched Permanent Structured Co-operation (PESCO), an enhanced framework to deepen co-operation on specific military capabilities. One focus of PESCO is military mobility, which aims at strengthening infrastructure and easing regulatory barriers to moving military equipment and troops across the continent. In 2021, the EU established a European Defence Fund (EDF) worth around €1 billion a year to foster more defence research and development. With the war in Ukraine, the EU's involvement in defence has deepened. The Union provided funds to expand production of ammunition and missiles and to foster more joint procurement of urgently needed equipment. A European Defence Industrial Programme is now in the works and, if approved, is likely to cement the EU's role as a significant defence actor.

The UK is currently a bystander to EU defence industrial co-operation. In part that is due to longstanding scepticism and even hostility among many Conservatives towards the EU's role in defence. In part it is also because the EU's defence tools are currently designed in a way that does not allow for much involvement by third countries. In theory UK firms and UK-owned subsidiaries in the EU are eligible to participate in EU projects. However, the EU imposes conditions, relating to third-country export controls and control of intellectual property, that effectively make participation unviable for UK firms and subsidiaries.

Most co-operation on military capabilities currently happens bilaterally or in small groups. But if the EU's defence industrial tools develop more momentum over coming years, as seems likely, more co-operation would be linked to an EU framework. That risks creating a set of artificial barriers across what is one Europe-wide industrial base. That would affect UK-based firms, such as BAE, but also the UK branches of firms with a broader European presence such as Airbus, MBDA, Thales and Leonardo. The overall result would be a net loss for the UK, the EU and European security.

The outgoing Conservative government undertook some timid steps towards engaging with the EU more seriously on defence. In particular, it applied to join the EU's military mobility project, in which Canada, the US and Norway are participating. The new government may seek to go deeper. There are several easy wins it could secure quickly: 1) a formal UK-EU dialogue in defence and security (which can also be part of a broader foreign policy dialogue); 2) an agreement for the UK to be able to participate in EU missions where it sees an interest in doing so (as it might in Bosnia, for example); and 3) an administrative arrangement with the European Defence Agency to allow more contacts and potentially pave the way for some UK involvement in its projects. The UK may also want to consider broadening its participation in PESCO to other projects of interest – such as that on [logistical hubs](#).

The discussion on UK association with EU defence industrial tools like the EDF and the planned defence industrial programme will be more complex. One strategy would be for the UK to lobby the EU to change its rules on the involvement of all third countries. However, this is almost certain to meet resistance from many member-states, especially France, that do not want to open the door to third countries in general for fear of the US becoming more involved in EU defence tools. US involvement in EU defence is seen as problematic because America places severe restrictions on the ability of European firms to operate in its defence market, and because equipment with US technology is generally subject to US export controls. A better strategy for the UK could therefore be to make the case that it is in a unique position for a third country, and to seek formal association with the EU's defence tools. Full access would almost certainly require a financial contribution, but it should be possible to devise a fair mechanism on the model of UK involvement in the Horizon Europe research programme.

Whatever approach it chooses, the priority for the new government should be to formulate a coherent proposal. Once it has decided what it wants to achieve, the UK will find it easier to mobilise support among those countries in the EU that favour greater British involvement. The faster the UK can act, the better: negotiations over the EU's proposed Defence Industrial Programme will begin in earnest in 2025, and once the member-states have reached agreement it will be harder to change the EU's policy.

Climate change and energy: Can the EU and UK co-operate on energy and emissions?

The UK and EU remain aligned on achieving net zero by 2050. Critics have accused Sunak's government of giving up the UK's leadership on climate issues, [diluting](#) certain green policies and seeking to [capitalise](#) on politically divisive initiatives like charges for driving the most polluting vehicles in London. A new Labour government would probably refocus on the UK's climate policy leadership. Similarly, while the EU is increasingly enduring its own 'greenlash', much of the legislation supporting the Green Deal has already passed, and the next Commission will be focused on implementation.

Energy and climate therefore remain important areas in which co-operation would have mutual benefits. For example, the UK is an important generator of renewable energy, with much more of its energy mix being green than the EU average. Long-term certainty about the terms on which this energy can be exported to Europe (the TCA's arrangements on energy expire in June 2026, though they can be extended annually) will further boost the business case for green energy investment in the UK, supporting Labour's plans to scale up renewable energy production. For the EU, tighter co-operation would boost the continent's energy security. In a promising sign, the UK signed an agreement on energy co-operation with the EU and North Sea countries last year, to develop renewable energy and cross-border interconnectors.

In other areas, a future UK government will probably have little choice but to replicate what the EU does. For example, the UK's emissions trading scheme has a carbon price roughly half that of the EU's scheme. That means UK exporters to the EU will face charges under the EU's carbon border adjustment mechanism (CBAM) once that mechanism is fully implemented – which will impose a levy on imports in certain sectors if the exporting country does not have a system of carbon pricing which matches the EU's. The UK will probably need to raise the carbon price and align its proposed version of CBAM with the EU's version, as otherwise UK exporters will face increased costs and the UK could find itself flooded with carbon-intensive goods from third countries which can no longer be exported to the Union. Alignment will be fraught with technical difficulty, as it will require redesigning the UK scheme to match the EU on in terms of scope, the overall cap on emissions and implementation timelines. But a more positive political relationship could make these difficulties easier to overcome.

Migration: Are the EU and UK both trying to solve the wrong problem?

Both Labour and the Conservatives want to reduce legal and illegal migration. Neither wants the return of freedom of movement. Among the most significant differences between their manifestos are first, that the Conservatives promise to deport irregular migrants to Rwanda, a scheme that Labour says is unworkable and has promised to cancel; and second, that Labour say that they “will seek a new security agreement with the EU to ensure access to real-time intelligence and enable our policing teams to lead joint investigations with their European counterparts”, while the Conservatives are silent on closer co-operation with the EU.

Like the UK, the EU is preoccupied with the flow of migrants into its territory. The Union’s [New Migration and Asylum Pact](#) focuses on irregular migration and aims to make it easier to process asylum applications quickly and deport migrants who do not have a claim to refugee status.

The EU has no particular interest in preventing irregular migration to the UK, other than in the context of combating organised criminal groups that profit from cross-Channel people-smuggling – and there may be scope to work together more on that issue, as Labour hopes. But that is unlikely to reduce the flow of people across the Channel. And the EU will continue to have no incentive to conclude a return agreement with the UK that would allow it to return migrants to their ports of departure – unless the UK offers to take in a quota from the EU.

The focus of EU-UK migration co-operation will be both on countering smugglers, and on preventing irregular migrants from entering Europe in the first place – through development programmes, conflict prevention and resolution, trade concessions and other investments designed to motivate potential migrants to stay in their countries of origin. There should be scope for a new British government to work with the EU and individual member-states on ‘upstream’ projects and programmes to reduce the flow of irregular migrants from Asia, the Middle East and Africa.

But in seeking to reduce overall immigration to Europe, both the EU and the UK may be trying to achieve an impossible goal, and one, moreover, that it is not in their interests to reach. As John Springford has argued in a recent CER [insight](#), free movement within the EU, though necessary, is no longer enough to compensate for ageing populations and falling birthrates in Europe: immigrants are essential for Europe’s prosperity – including that of the UK. The EU and UK could do more to help each other slow the flow of migrants from the rest of the world but perhaps they would do better to help each other come up with ways to explain to voters that migration will be a net benefit to their societies, not a burden.

With the populist right on the rise in the EU and the UK (even if in the latter case the Reform party’s vote share will not be reflected in parliamentary seats), the political context for making the pro-immigration case could hardly be worse. But European societies that can tap the drive and entrepreneurial spirit of those who leave their own countries in search of prosperity will do better than those that pull up the drawbridge. If the UK could find a way to work with its neighbours to provide better options for legal migration, taking the sting out of current hostility to migrants in general, prospects for European economic growth and dynamism might improve. Creating legal pathways for migration would also undermine the business model of people-smugglers – whether at the EU’s southern borders or crossing the English Channel.

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