Beyond the reset

Charles Grant on how much closer UK-EU relations can go – and what could make a more ambitious partnership possible.

Ten years after the Brexit referendum, UK-EU relations are cordial. But the reset in the relationship – heralded at the UK-EU summit in May 2025 – has so far been modest. Britain has rejoined the Erasmus exchange programme, and will probably agree deals soon on youth exchange, emissions trading systems and veterinary standards. Keir Starmer's government has stuck to its red lines – no customs union, single market or freedom of movement – which, as far as the EU is concerned, means there cannot be big changes to Boris Johnson's Brexit settlement.

Over the past year, Starmer and his ministers have started talking about the EU in more positive terms. Officials have even floated, vaguely, the idea of rejoining the single market for goods (to which the EU says, if you want to be in one bit of the market, you have to be in all of it). But there has been no serious or coherent British plan for getting significantly closer to the EU.

Britain's political turmoil has not helped. European leaders ask if there is much point in doing deals with a Labour government, when in a few years' time a future prime minister Nigel Farage could tear them up. The EU has also had its hands full: Russian militarism, America's disengagement from Europe, China's assault on European manufacturing, the rise of the far right and economic under-performance are all more important than revising the Trade and Co-operation Agreement that Johnson negotiated. In any case, the EU regards that as a perfectly good deal.

British politicians complain that the EU is an inflexible partner, but the EU has genuine concerns about the integrity of the single market – it worries that if a country is allowed into just parts of it, the whole is weakened. This stems partly from a strong feeling of insecurity caused by surging support for far-right parties across Europe. EU leaders fret that if the British get some of the benefits of membership without having to swallow free movement, Marine Le Pen and others like her will ask for the same. As one official told me, "given the gravity of the threats we face, we have to focus on protecting the immediate interests of the member-states, rather than those of third countries, or countries that want to join." Too bad for Britain and Ukraine.

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In security and defence policy, however, the 'reset' has been quite successful. Thus the UK has worked closely with the EU on sanctions against Russia, signed a Security and Defence Partnership with the EU and will probably participate in the EU's €90 billion loan for Ukraine, two-thirds of which is for defence – though French opposition kept Britain out of SAFE, an EU scheme designed to encourage common defence procurement. Britain and France have led efforts to put together coalitions of the willing for a reassurance force in Ukraine, and a naval force for the Strait of Hormuz – though neither can start work until there is a peace settlement to police. The E3 – Britain, France and Germany – have played an important role in the diplomacy surrounding Ukraine. The UK has also struck bilateral defence partnerships with several member-states, including France, Germany and Poland. And, of

course, it remains a major player in NATO and the Joint Expeditionary Force, alongside the Nordics, Baltics and Dutch.

Given the UK's contribution to European security, and how valuable that is in the current geopolitical situation, some British politicians reckon it should buy a certain amount of goodwill from the EU. In particular, they think the EU should be more open to offering the UK a better trade agreement.

But that is not how it looks to the Commission, France, Germany and probably a majority of member-states. Their view is that the UK engages in European security because it is in its own interest to do so – and that there is no particular reason why good co-operation on defence should trigger a different trade deal. They then add that if the UK rethought its red lines, a different sort of economic relationship could be possible. They tend to point to the Norway model, based on participation in the single market for goods and services, or to a customs union. They do not point to 'the Swiss model', which the EU has doubts about. The Swiss are essentially in the single market for goods but not that for most services, which breaches the EU dogma of the four freedoms being indivisible.

The Nordic, Baltic, Dutch and Irish governments sometimes say the geopolitical and economic benefits of much closer UK-EU ties are so important that the EU should be willing to compromise its principles. But most member-states seem to think that the success or otherwise of the British economy is not of great concern to the EU; and that if the current version of the trade agreement gives Britain economic problems, that is simply the consequence of leaving. One also hears the view, especially in France, that voters should see that Brexit hurts, so they are dissuaded from following the same path.

I would argue that this view is short-sighted. The fate of Britain's economy matters for the 27. It is not in the EU's interest to have the UK – its second largest trading partner, with which it enjoys an annual goods surplus of €200 billion – stagnating on the edge of Europe. For all its difficulties, Britain has real economic strengths that can help to boost the wider European economy, like innovative companies in AI, life sciences, fintech and precision engineering. Its venture capital industry, universities and financial services sector are the best in Europe. Both sides would benefit from the increased competition and dynamism that closer economic ties would foster. Economics, after all, is not a zero-sum game.

Evidently, the political shenanigans in the UK do not encourage EU politicians to come up with bold and original ideas for the relationship. European politicians see contradictory signals: roughly two-thirds of British voters regret Brexit, yet the anti-EU Reform UK is leading in opinion polls (though with substantially less than 30 per cent). Europe will be a dividing line at the next general election. It is plausible to imagine that the broadly pro-European camp – Labour, Liberal Democrats, Scottish and Welsh nationalists and Greens – could triumph over the anti-EU bloc. But the divisions in British politics over Europe are likely to persist beyond that election.

In the medium term, the UK will need a bespoke deal, probably closer to Switzerland than to Norway, since Britain is unlikely to accept EU rules wholesale in services sectors where it has a comparative advantage, from the City of London to technology and AI. This will require the EU to be imaginative – perhaps taking inspiration from the schemes for partial membership being considered for Ukraine, such as Friedrich Merz's plan for 'associate membership'. But the UK will also have to be flexible, notably by accepting greater mobility of people, perhaps similar to Switzerland's free movement of labour for the economically active, combined with an emergency brake if the numbers surge.

In the long run, the British may well find it frustrating to have to follow EU rules on parts

of the economy over which they have no formal say. That could increase support for rejoining. But membership will only become a serious option when there is a national consensus that the UK is better off inside the EU. The sooner pro-EU politicians find the courage to make the case for rejoining, the sooner we will reach that consensus.

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