



# Research Institute - Insight

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#UK

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#Politics

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## What would Labour do? 3. EU relations

A potential future Labour government would attempt to develop closer relations with the EU and remove barriers to trade. But there are limits to this approach, with membership of the single market remaining off the table.

### Key Takeaways

- Improving relations with the EU will be a foreign policy priority for Labour. The Party believes that reducing UK-EU barriers to trade and cooperation is essential to meet the UK's economic and security needs.
- Labour is politically in a position to seek greater changes to the UK's relationship with the EU than the Conservatives. As such, it will see the review of the Trade and Cooperation Agreement (TCA) as a major opportunity to reset relations.
- Other key parts of Labour's strategy include reducing trade barriers by increasing regulatory alignment with the EU, as well as seeking to regain mutual recognition of professional qualifications.
- But there are limits to this approach. Labour has been clear it will not seek full alignment with EU standards. And Starmer has committed to remaining outside of the single market and customs union, while Labour would not return to any arrangement involving freedom of movement.
- A key unknown in Labour's strategy is the EU's response. So far, the EU has been very keen for the UK to 'own' Brexit and the terms of the TCA agreed under Boris Johnson. A major reset of relations would be the necessary precursor to a meaningful review of the TCA. There are significant risks that Labour will fall short in its aims for a UK-EU reset if the two sides remain far apart on their negotiating positions.

insight in this series, on Labour's green industrial strategy, is available [here](#), and the second, on Labour's foreign policy approach, is available [here](#).

### Relations with the EU are likely to move up the political agenda by the next election

The end of temporary transition arrangements by 2024 will lead to greater debate over the sustainability of the UK's post-Brexit settlement. Forthcoming decisions over customs checks and rules of origin requirements will have significant implications for trade friction. In 2025, the full UK-EU Trade and Cooperation Agreement (TCA) will be eligible for review, making the position of the next UK government highly consequential. For more detail on the impact of coming rules of origin requirements on the politically important UK car manufacturing sector please see our previous [note](#).

With public opinion gradually moving away from a 'hard' Brexit to prioritise avoiding substantial trade barriers, the next government will have more political room for manoeuvre.

### Labour would use the review of the TCA to seek greater regulatory alignment with the EU

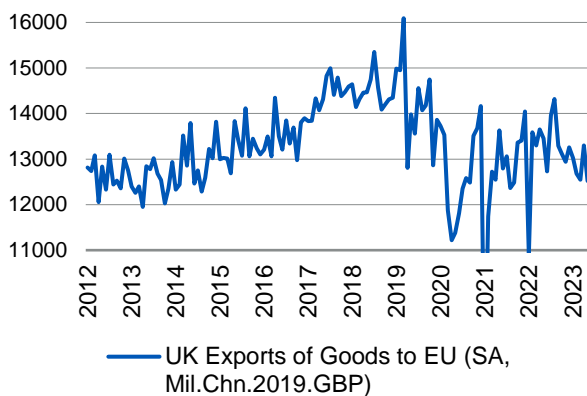
Although the end of transition arrangements by 2024 will be highly consequential for some sectors, the next major opportunity to alter the current trade settlement will come in 2026, when the TCA is expected to be reviewed. While a Sunak-led Conservative government would likely attempt to remove trade barriers in some areas, the political makeup of the Conservative Parliamentary Party would prevent a more substantial shakeup, particularly as the Conservatives have committed to a decoupling of common standards in a number of sectors.

This is the third note in our ongoing series on how the Labour Party would approach policymaking should it form a government after the next general election in 2024. The first



Labour would politically be in a position to seek greater changes. Starmer is likely to focus on increasing regulatory alignment with the EU in areas that would reduce barriers to trade like food standards and conformity assessments. This includes mutual recognition of professional qualifications, rules of origin requirements and amended rules for people travelling between the UK and EU for short periods of time. A commitment from the next government to retain EU standards would be a key confidence-building measure in UK-EU relations.

**Figure 1: UK exports to the EU have fallen since Brexit**



Source: Refinitiv, abrDN, August 2023

**Beyond trade, Labour would seek closer cooperation on climate and security issues**

As part of its efforts to build a closer working relationship with the EU, Labour would seek closer cooperation on areas beyond trade. The party has been clear that it would seek a new security pact with the EU to ensure greater coordination on security and foreign policy issues.

This would focus on sharing intelligence and data, with aspirations for joint intelligence working groups. An early key focus is likely to be countering cyber attacks and state sponsored disinformation, particularly in light of the heightened risks caused by Russia’s invasion of Ukraine.

On climate issues, closer cooperation on offshore wind development in the North Sea and carbon tariffs are likely to be early priorities. All these initiatives can be achieved outside of the much tougher trade negotiations, and will act as an important step in improving relations between the UK and EU.

**Labour is not wholly unified on EU relations**

Although the spectrum of views on Brexit and EU relations are more unified within the parliamentary Labour Party relative to the Conservatives, the party’s leadership will still face pressure to change its approach.

The Labour Movement for Europe group, chaired by MP Stella Creasy, has proposed a pledge to negotiating a bespoke customs union with the EU as part of the party’s

next manifesto. The group has tabled amendments to Labour’s national policy forum, which is finalising a policy agenda for the manifesto going into the 2024 general election.

While the measures are certain to not be included in the 2024 manifesto given the Shadow Cabinet’s policy positions, this illustrates the EU policy is far from settled in either of the main political parties.

**A minority Labour government would face greater challenges when implementing policy**

Labour’s approach to EU relations will face greater constraints if it is unable to secure a majority at the next election. The most likely outcome in this instance would be a confidence and supply arrangement with the Liberal Democrats. Although the party is not advocating for an immediate reversal of Brexit, it will continue to push for closer integration than Starmer is likely to be willing to concede, including membership of the single market.

A key question in the event of a confidence and supply or coalition arrangement will be whether the Liberal Democrats are willing to compromise on its own Brexit policy. This is likely to occur, as both Labour and the Lib Dems agree that trading relationship with the EU need to improve, but conflict over policy approach will remain a risk if Labour fails to secure a majority.

**Cooperation will have its limits**

Developing a closer relationship with the EU and committing to greater regulatory alignment will not translate to all sectors. Labour has stated that, like the Conservatives, it will seek regulatory divergence from EU standards in financial services.

A formal return to the single market or customs union has also been ruled out, as has any return to full freedom of movement. While attempting to move closer to a customs union-style arrangement is probable, the UK is likely to remain outside any arrangement that would risk reigniting the leave versus remain debates.

**It will take two to tango**

The biggest unknown in Labour’s plans for closer cooperation with the EU is how willing the bloc will be to agree to the proposals. Thus far the EU has been keen for the UK to ‘own’ the consequences of Brexit, agreeing to some changes, like the Windsor Framework earlier this year, but also holding firm on areas which would compromise the advantages of the single market and customs union.

Despite the efforts of the current government, the EU has shown little interest in entering into negotiations on equivalence in financial services or altering the TCA to amend rules of origin requirements for electric vehicles.



Improved trust and communication between the EU and UK will be an essential precursor to any major changes to the settlement. The EU is likely to maintain its current position – that an agreement to align with EU rules is a necessary requirement for any significant changes to the current trading relationship – regardless of which party enters Number 10.

The EU has also indicated that it will not look to review the TCA at the earliest possible opportunity in 2025. European Commission Vice-President Maros Sefcovic has stated that the EU would look to begin the review a year later, in 2026, due to the delayed implementation of several elements of

the agreement. This is not necessarily a negative for any future Labour government, as the delay would enable it to focus on forming a new government and establishing its priorities for EU relations without major time pressures.

The EU is also likely to see the review as a technical exercise to ensure the current TCA is functioning, rather than an opportunity for fundamental change. An agreement on realistic aims for the review ahead of its launch will be necessary to ensure progress. Risks remain that Labour is unable to concede on areas the EU views as essential for a material change to the trading relationship.

**Author**

Lizzy Galbraith



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