Background Report: Brexit Reset in Brussels

The informal EU summit on 3 February 2025 in Brussels marked the first time a British Prime Minister participated since Brexit. For PM Keir Starmer, it was a crucial opportunity to reset the United Kingdom's (UK) relationship with the European Union under the banner of a "Brexit Reset." Unlike any other Prime Minister since Theresa May, Starmer has set a comprehensive revision of UK-EU relations as his goal. Accordingly, he has established a dedicated team within the Cabinet Office, led by EU Minister Nick Thomas-Symonds, to handle negotiations with the EU. At the same time, the Prime Minister has publicly committed to substantive red lines, ruling out a return to the Single Market, the Customs Union, or freedom of movement. Instead, the UK seeks tailored agreements in trade policy, crime prevention, and security cooperation.

British Priorities

While the greatest economic potential for the UK lies in a fundamental alignment of trade relations, the government's self-imposed red lines mean that it is initially pursuing a more modest goal. A veterinary agreement is seen as a practical step, with Chancellor Rachel Reeves hoping it will reduce food prices. However, reaching an agreement in the services sector, given the UK's strong position in this area, would be significantly more challenging. Closer security cooperation, by contrast, is seen in London as a clear "win-win," given the UK's capabilities in this field. The informal summit in Brussels particularly focused on this aspect of UK-EU relations.

Even before PM Keir Starmer joined the dinner, discussions centred on the strategic direction and financing of the European defence industry. This issue provides a fundamental basis for collaboration between London and Brussels. While the UK is under economic pressure and requires investment in its defence sector, the EU would also benefit from involving British defence firms, which account for nearly 4% of global arms exports. The European Commission had previously estimated the continent-wide investment gap in the defence industry at nearly €500 billion. Within the EU, there is broad agreement that European cooperation is necessary to address this shortfall, though the specific financing mechanisms remain contentious. The UK's key concern is to avoid exclusion from such initiatives and to gradually institutionalise its participation in EU summits.

A useful approach for the UK would be to organise joint projects within flexible coalitions of the willing, an idea reportedly being considered in Brussels. This would allow non-EU members such as the UK or Norway to participate while avoiding the risk of projects being blocked by neutral or unwilling EU member states. While there are clear shared interests in developing European defence capacities, there are also obstacles – and these have been further complicated by current US trade policies.

A Threefold Balancing Act

Within the EU, there is heated debate over whether joint funds should be used to procure defence equipment manufactured outside the bloc. While purchasing American equipment could help ease political tensions with the US, French President Emmanuel Macron argues that these funds should be exclusively directed towards European industry to strengthen Europe's "strategic autonomy." A possible solution—and the central concern of the British Prime Minister at the informal summit—is to extend the "Buy European" principle to non-EU states. Additionally, at the summit, PM Starmer outlined five key areas for deeper cooperation: research and development, military mobility and logistics, countering state threats and sabotage, deeper cooperation in military missions, and enhanced industrial collaboration. However, any concessions in these areas, as in trade policy, fisheries, or youth mobility, could be met with demands for reciprocal concessions from the EU, putting the UK in a difficult position. Balancing relations with the US and domestic political pressures would make such compromises risky, particularly since the Starmer government has so far focused on defending its red lines rather than articulating a positive vision for UK-EU relations.

US President Donald Trump had initially spared the UK from his harsh criticism of the EU. However, if the UK moves towards a comprehensive rapprochement with the EU, Trump could shift his stance. Research from the Centre for Inclusive Trade Policy suggests that a blanket 20% tariff could lead to a £22 billion decline in UK exports. A middle path between Washington and Brussels would also be fraught with risks, as the UK could find itself economically caught between two competing giants.

Within the UK, there is also opposition to closer ties with the EU. Senior Conservative figures warned ahead of the summit that the "Brexit Reset" must not dilute Brexit. Tory leader Kemi Badenoch has set five red lines for the government: negotiations must not lead to new freedom of movement commitments, no concessions on deporting illegal migrants, no new payments to the EU, and no reduction in British fishing rights. Instead of aligning with the EU, the government should prioritise a free trade agreement with the United States. Badenoch is positioning the Conservatives as "the" Brexit party, seeking to prevent Nigel Farage's Reform UK from gaining ground. Labour also faces a potential challenge from Reform UK if it moves closer to the EU. A new YouGov poll on 4 February showed Reform UK at 25%, ahead of Labour at 24%. Nonetheless, public sentiment towards Brexit is becoming increasingly negative. According to a recent IPSOS survey, 48% of Britons believe Brexit has negatively impacted their daily lives, up from 28% in March 2021. Additionally, 47% see Europe as the UK's most important partner, compared to just 21% who prioritise the US. Behind closed doors, even the Tories appear more flexible than their rhetoric in the Daily Mail suggests. Still, PM Starmer must navigate a complex political landscape, balancing domestic opposition and looming trade conflicts.

A New Era of Partnership?

On 19 May, London will host the first EU-UK summit. According to European Council President António Costa, the goal is to establish a close partnership. The British government aims to conclude the "Brexit Reset" at this summit. Europe Minister Thomas-Symonds has vowed to pursue "ruthless pragmatism" in these negotiations, even considering a limited EU-wide customs arrangement. Until 19 May, Thomas-Symonds and EU Trade Commissioner Maroš Šefčovič will hold regular meetings in London and Brussels to prepare for the summit. Particularly contentious issues could ultimately be resolved through direct negotiations between PM Starmer and European Commission President Ursula von der Leyen. Over the coming months, the British government will need to balance domestic, transatlantic, and European interests to steer the country and its ruling party onto a stable course during turbulent times. If the goal is truly a new, sustainable, and pragmatic partnership with the EU, the British Prime Minister must free himself from domestic pressures and his self-imposed red lines to take bold steps forward.

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