

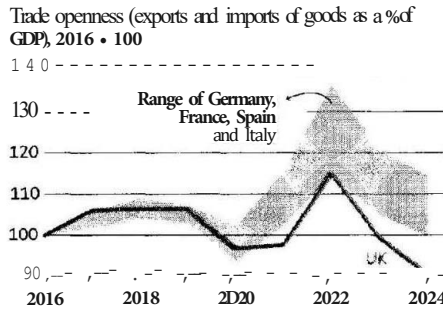
Faced with a flatlining economy at home and an unreliable ally in the US, Starmer is increasingly making the case for closer ties with the EU. Diplomats say the prime minister may have missed his chance.

By Peter Poster, George Parker and Andy Bounds

# Too late to turn to Europe?

'There was a staggering naivety. [They thought] because they weren't the Tories, all manner of things would get done'

The UK's trade performance has been poor since 2016



Source: Andrew Silson, ONS

'We're now heading towards a tipping point where the status quo [on Brexit] isn't stable or sustainable'

It took almost two years in office for Sir Keir Starmer's Labour government to find its voice on the most divisive issue in postwar British politics.

With the economy flatlining, the Iran war threatening an energy price shock and Donald Trump proving an ever more unreliable ally, it was to Brussels, not Washington, that the UK prime minister turned when he delivered an address to the nation this month.

"Brexit did deep damage to our economy," Starmer said, echoing what has long been the consensus view of economists. He promised that Britain would be "more ambitious" in deepening ties with Brussels, arguing that the benefits of doing so were now "simply too big to ignore".

But diplomats and analysts warn that Starmer may already have missed his opportunity for a grand pivot to Europe. Time is running out, both for negotiations and also to show voters any real economic benefit from closer links to the trade superpower across the English Channel.

EU officials openly doubt Starmer's ability to deliver, as he fights to stay on as prime minister and Nigel Farage's poll-topping Reform UK party vows to tear up any "reset" with Brussels. "We have a list of 10 priorities that are far higher," says one diplomat from the bloc.

In Westminster, the question is whether the prime minister's overture to Europe is a serious effort to inject fresh momentum into talks with Brussels or merely a tactical move to placate Labour backbenchers increasingly frustrated by his timidity on the issue.

They fret that the outcome of Labour's EU "reset" so far has been limited.

A package of measures to be agreed at an EU-UK summit in July will, by the government's own estimate, increase UK GDP by just 0.3 per cent over the next decade and a half.

The steps include a deal to remove checks on food and drink exports and the relinking of EU and UK carbon pricing schemes. A youth mobility deal to allow 18- to 30-year-olds to live and work in the EU or UK for up to three years has still to be agreed.

Industry groups have welcomed the progress, as far as it goes, but note that it represents only a tiny fraction of the 4 per cent Brexit hit estimated by the UK's fiscal watchdog, the Office for Budget Responsibility.

EU diplomats say such meagre gains are inevitable given that Labour has stuck to manifesto "red lines" that hark back to the days of former Conservative prime minister Boris Johnson. Starmer's administration, like its predecessors, rules out deepening institutional ties with the bloc such as forming a customs union or rejoining the single market.

"Where I think it has gone wrong is that fundamentally Britain's 'asks' are still the same," another EU diplomat says.

"They are asking for a 'reset' but it's like old wine in new bottles: asking for being part of those areas of the single market only where they believe they have a competitive advantage. And they do not want to pay."

Such an assessment is not confined to Brussels. The House of Commons Foreign Affairs Select Committee criticised the reset last month for lacking "direction, definition and drive". While the committee welcomed the warmer tone from the British government, it rebuked ministers for calling vaguely for "alignment" with Europe without setting a strategic plan.

And yet when chancellor Rachel Reeves subsequently delivered the UK's annual Maitland Lecture on the economy, she cited a US study that estimated leaving the EU had caused an 8 per cent hit to UK GDP - double the official estimate of 4 per cent.

"The tension between 'Brexit is costing 8 per cent of GDP' and 'we have a

reset that won't change much' is untenable," says Anand Menon, director of the UK in a Changing Europe think-tank. "We're now heading towards a tipping point where the status quo isn't stable or sustainable."

## Reset or rerun?

UK and EU officials acknowledge that the first 18 months of "reset" negotiations have sapped confidence on both sides.

Labour had hoped to get a quick win by restoring touring musicians and professionals' access to Europe to what it was before Brexit. But the request was swiftly rebuffed in Brussels, which ruled out - not for the first time - any British "cherry-picking" of access to the EU single market.

The same requests had been made - and rejected - when Rishi Sunak's government was in office. But Labour had hoped for a different answer.

"There was just a staggering naivety at the outset," says a Brussels insider who had offered advice to the incoming government. "[They thought] that because they weren't the Tories, all manner of things could and would get done."

Officials in Brussels felt that EU capitals were downcast by Labour's reluctance to embrace a youth mobility scheme that included lower "home [university] fees" for EU students at British universities. That meant national capitals were less motivated to push the European Commission to be more ambitious in the talks.

"The only EU 'ask' is the youth mobility scheme," says an EU official close to the talks.

The commission was all the more concerned to offer the UK anything that might be construed as cherry-picking, since such concessions could affect the debate in Switzerland, which is expected to hold a referendum next year on a package updating it, owing ties with the EU.

With Labour in office, commission president Ursula von der Leyen has bailed "a new chapter" in UK-EU ties.

But what has taken place under Starmer is not so much a reset of the relationship as a rerun of old arguments from previous rounds of negotiations.

"The political will is there but the bureaucratic will is not," the EU official adds.

Last November, for example, a disagreement over money led to the collapse of talks over UK participation in a new €150bn EU defence fund - despite a high-level agreement on the strategic imperative to work together to re-arm Europe.

Even though Germany, the Netherlands and Belgium interceded with the commission in a bid to reduce the €2bn cost! UK entry, an agreement could not be reached.

The price tag, which the UK rejected as exorbitant, was driven by French demands to protect the EU's own defence industries.

"At the end of the day we are in the same club, so we have to back our fellow member over an outsider," says a senior EU diplomat, noting the limited effect of the UK's warm words in its post-Brexit dealings with Brussels.

The UK government wants to counter the narrative with the July summit, which it hopes will strike deals paving the way for removal of some border checks for plant and animal products, as well as preventing UK industry from paying a new EU carbon tax and some kind of youth mobility scheme.

E' troppo tardi per riavvicinarsi all'Europa?

