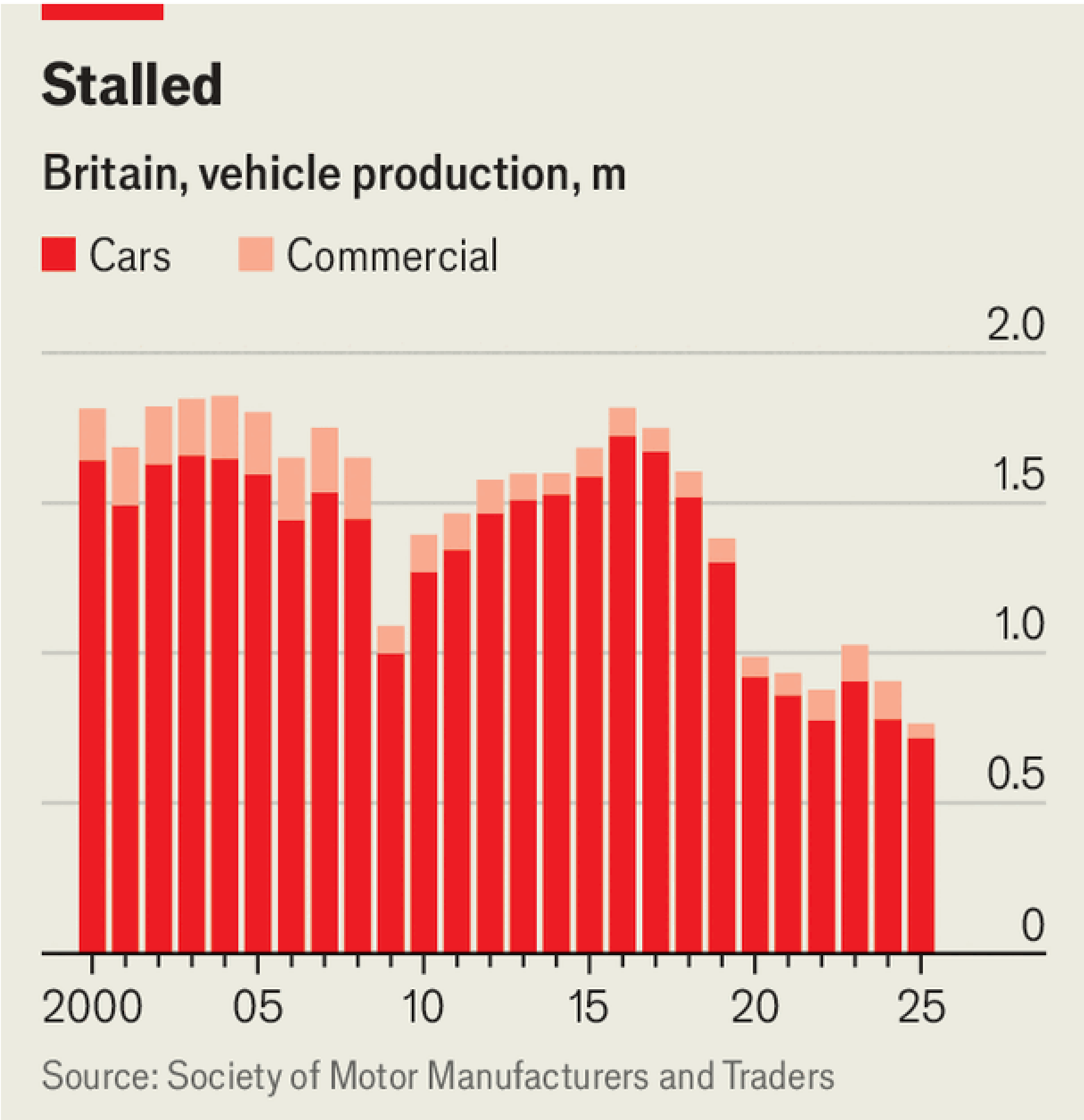
THE ECONOMIST – 5 MARZO 2026

Outside the EU, Britain’s car industry is struggling

PARTS OF the Mini plant in Cowley, on the edge of Oxford, date back 113 years to the early days of William Morris, the founder of Morris Motors. Yet inside is a modernist dream. Huge orange robots assemble car bodies and insert engines delivered just in time from the Hams Hall plant near Birmingham. Each car is tailored to order, so they come in a wide variety of shapes and colours. The plant produces some 800 vehicles a day, all petrol-driven, though an electric-vehicle (EV) variant may come eventually. It is little wonder that the Mini tour is among the city’s most popular tourist attractions.

Yet the British car industry is in trouble. Last year production fell to 717,000 cars, the fewest since 1956. That is down by well over half since 2016, when Britons voted to leave the European Union (see chart). Car production has fallen in most other European countries too, but nowhere near as dramatically. Since 2016 car plants in Swindon, Luton and Bridgend have all closed. High electricity prices, rising costs of labour and growing Chinese competition are contributory factors. But carmakers also point to post-Brexit uncertainty for damaging this strongly export-oriented industry. EU countries take over half of British car exports.



Mike Hawes, chief executive of the Society of Motor Manufacturers and Traders (SMMT), hopes annual car production will soon recover to over 1m. Yet there are powerful headwinds. The EU is discussing a "Made in Europe" strategy, one element of which would be protection for its carmakers. Rachel Reeves, the Labour government's chancellor, has argued that any such strategy should include Britain. After all, European carmakers like BMW (which owns Mini), Stellantis (whose largest shareholder part-owns *The Economist*'s parent company) and Nissan run integrated supply chains across Europe, with cars and components often criss-crossing the English Channel. But in Brussels and national capitals many retort that for them Europe means the EU 27 alone.

Another deadline lies ahead for EVs, which for the first time last year accounted for half of cross-Channel trade in cars. From January 1st 2027 EVs will qualify for tariff-free trade only if 55% of their value originates in the EU or Britain; and 70% of their battery pack must also originate in Europe. But because most batteries, which account for around a third of an EV's value, are made in Asia, that target seems near-impossible to meet. Unless both sides agree to extend a derogation from these rules, the outcome will be 10% tariffs on EVs traded over the Channel.

One possible way around all this would be for Britain to join a customs union with the EU. This would cross a manifesto red line on Brexit for Sir Keir Starmer's government, yet it has been openly proposed by several cabinet ministers. A customs union would eliminate all checks for rules of origin between its members, thus resolving the EV problem currently facing carmakers. Turkey is already in a partial customs union with the EU. Economists reckon that Britain's GDP might gain as much as 1% from a deal like Turkey's, useful at a time of paltry growth.

Yet a customs union would have its own disadvantages. Because it would mean handing trade policy over to the EU, it would preclude different arrangements with third countries. That would mean scrapping recent British deals such as those with Australia, India and New Zealand. Worse, a customs union would not automatically mean that Britain benefits from the EU's own trade deals. Turkey is not included in the EU's deal with the South American Mercosur trade bloc, for instance. It would not even stop bilateral defensive tariffs: Turkish steel faces a 50% EU tariff.

A different idea backed by the SMMT would be for Britain to join the Pan-Euro-Mediterranean (PEM) convention. This is a treaty that simplifies and so largely avoids arguments over rules of origin for goods traded between the EU and its closest neighbours in Europe and north Africa. But so far at least, the EU and its members have expressed little interest in Britain joining either a customs union or the PEM.

Cars on the table

Given the importance of the car industry, which accounts for 12.6% of all British manufactured-goods exports, Mr Hawes wishes to see cars added to the negotiating table for the next EU-UK summit, due to take place this summer. Sir Keir has hinted that he would like to expand the range of goods for which British and EU rules are fully aligned. The hope seems to be that this might allow such goods to follow the precedent set by food of qualifying for unrestricted access to the EU's single market. Ms Reeves has spoken of closer integration with Europe as "the biggest prize".

The EU is clearly pleased by such pro-European language. It is well aware that public opinion in Britain has shifted against Brexit since the referendum vote. However, that will not make it readier to offer Britain any special favours without what it sees as corresponding obligations such as budget contributions or freer movement of people.

Nor will it easily abandon its hostility to Britain cherry-picking access to parts of its single market. A deal for food appeals because it will smooth trade between Great Britain and Northern Ireland, which is still in the single market for goods. There is no such advantage to be had for cars. Indeed, carmakers in such countries as France, Spain or Slovakia are more likely to see some benefits from Britain being a weaker competitor. The irony that Sunderland, home to the Nissan car plant, Britain's biggest, was the first place to record a vote for Brexit in 2016, is not lost on Brussels.