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Eyes on the Prize: Shifts in EU interests require a reassessment of relations with the United Kingdom

Amidst geopolitical and geoeconomic tensions, the EU needs to shape a new European security order. Beyond national efforts to increase the European contribution to NATO, the EU seeks to enhance economic security, move forward with EU enlargement and engage with wider Europe in a more flexible and strategic way. This is an opportunity to improve the current relationship with the United Kingdom, which is both limited and unsatisfactory. Following elections on both sides of the channel, the EU and the UK should define shared strategic priorities, strengthen the institutional backbone of cooperation, improve foreign policy and security cooperation and deepen and expand trade and investment relations.

Faced with the demise of Europe's post-Cold War security order and growing geoeconomic and global challenges, European leaders have started to rethink the continent's political architecture beyond the EU 27, and the policies required to strengthen its security and autonomy in particular.

The worry about stability beyond the EU's borders and the rising influence of external players such as Russia, China or Iran in the EU's neighborhood has resulted in renewed support for EU enlargement, after decades of stalling. The accession of the eight currently negotiating countries, however, is by far not a done deal.

The EU will have to invest significantly in enlargement-readiness for both candidate countries as well as in the EU itself and organize the accession process in the most flexible way while not compromising on its principles. Success will require new levels of flexibility, policy coherence as well as deep ties with like-minded allies.¹ And indeed, a new forum for wider Europe, the European Political Community (EPC)² has emerged and includes EU members, accession candidates and countries that are unlikely to ever accede to the EU.

This new constellation of challenges and ambitions creates new opportunities to rethink the EU's approach towards its relationship with the UK, one of the world's largest economies, a nuclear power, staunch supporter of Ukraine and obvious stakeholder in Europe's security concerns. There is a rare opportunity to shape the continent's new political architecture together, which will require adjustments to the narrower, troubled EU-UK relationship that currently exists.

Shared overarching security interests

EU and UK responses to geopolitical upheaval over the past two years have underscored not only shared interests, but also the ability to cooperate successfully. Since Russia's invasion of Ukraine in February 2022, key EU member states have cooperated meaningfully with the UK in the G7, NATO and in various bilateral partnerships in support of Ukraine, delivering military, financial, and humanitarian assistance, whilst at the same time enhancing deterrence against Russia by reinforcing their military presence on NATO's eastern flank. These efforts were preceded by an effective coordination of sanctions policies in the G7, underpinned by crucial sharing of intelligence.

While this cooperation was not based on any formal EU-UK agreement, risk assessments and long-term thinking on hard security in the UK and EU member states are now more aligned. The EU's Strategic Compass of March 2022 and subsequent European Council conclusions list Russia as the top threat to European security, while the UK's refreshed Integrated Review (IR) of March 2023 echoes this by highlighting that collective security in the Euro-Atlantic area is inextricably linked to the outcome of the war.³

The political West today appears, not least as a result of successful cooperation between the EU, its member states, the UK and the US, broadly united in the face of Russian aggression. Russia's dismantling of the post-Cold War European security order and a possibly diminishing role of the US as a safety guarantor for Europe will, without doubt, make further such cooperation necessary.

The EU should seize the opportunity of the election year 2024 to enhance its cooperation with the UK and define its strategic priorities for the relationship over the next five years as the new EU leadership is being installed. On this basis, it should agree to a Memorandum of Understanding with the UK, setting out joint ambitions for the future relationship in light of geopolitical and geoeconomic challenges.

Although no major transfer of sovereignty from member states to the EU is to be expected in defence, security or foreign policy, shared strategic interests could still serve as the starting point to deeper cooperation between the EU and the UK, aiming to unlock further positive agendas in related policy fields. A new bilateral initiative can build on cooperation already developed, for instance, in the G7 and NATO, and can leverage the EPC

for initiatives involving additional non-EU countries. A new level of ambition for the EU-UK relationship in the MoU would serve as a mandate for officials to explore deeper cooperation.

EU-UK institutional relations and foreign policy coordination must be improved

Since Brexit, there are no formats for EU-UK strategic exchange that would match the challenges such as China, the US, energy security, climate change and migration.

While the EU holds regular summits with countries like Switzerland, Norway and Turkey, and Strategic Partnership Agreements with Canada, New Zealand, Japan, neither type of arrangement exists with the UK. Beyond the TCA, no formal interaction of note occurs. Exchange with the UK thus currently takes place in restricted formats and with third-parties present (such as in the G7).

The UK, however, is flexibly involved in EU foreign policy coordination at the political and official level through the third-party rules of the EU's Common Foreign and Security Policy (CFSP). Third-party involvement in CFSP is far from simple, but the EU has shown flexibility with regard to the UK, which can be built on.⁴ Notably, the EU-UK Political Declaration of 2019 adopts the UK's proposal of "flexible and scalable cooperation", thus offering a model designed to allow the UK "to best tailor its contribution and provide timely expertise".

The UK's original ambition in 2018 was to establish a framework of consultation and cooperation with the EU,⁵ that has been described as unprecedented, both in terms of objectives and practical and institutional modalities. The official EU reaction at the time

duly stressed the need for a new basis of post-membership cooperation, the importance of the EU's "strategic autonomy", and pointed to existing arrangements with third-parties as a basis for future interaction with the UK.⁶

But the status quo, an innovative mechanism whereby the depth of cooperation is designed to be adjusted based on the level of contribution, is a noteworthy and positive approach in the development of the CFSP.⁷ Indeed, it helped enable the UK's participation in a Permanent Structured Cooperation (PESCO) project on military mobility in 2022.⁸

Going forward, the EU and the UK should strengthen the mechanisms for political cooperation. Both sides should regularly meet for EU-UK summits to address shared threats and challenges at leader-level. On the EU side, the summit should involve both the President of the European Council as well as the President of the European Commission.

Moreover, political cooperation can be deepened by inviting the UK Foreign Secretary to attend Foreign Affairs Councils whenever relevant and enabling UK contributions to EU CFSP/CSDP missions through a new framework agreement. Much will depend on the EU member states willingness to move ahead with CFSP/CSDP, but if they do, consultations between the UK government and the European External Action Service can also be improved. Even if smaller groups of EU member states cooperate more closely on selected foreign policy matters, this can happen within the provisions of the EU treaties. Even in the likely more flexible approach to CFSP/CSDP, effective EU-UK cooperation on foreign policy should be underpinned by a framework enabling officials to prepare consultations adequately. On the

EU side, this machinery will need to be connected to the European Council, the Council of Ministers and the European Commission.

The TCA curtails ambitions and must be improved

Beyond foreign and security policy, the economic relationship needs to be reviewed. The geoeconomic and geopolitical context in which the TCA was designed to operate has substantively changed since its negotiation. The EU has consequently developed the single market and trading arrangements as geoeconomic tools. This is most clearly evidenced by an emerging EU economic security agenda, designed to bolster and defend the single market in the face of systemic rivals.

Meanwhile, the TCA agreement treats security and defense readiness and economic capacity in isolation, with only thin provisions on the former, and unbalanced provisions on the latter. A more ambitious partnership could allow both sides to derive much stronger benefits from a more future-oriented mutual cooperation.

The trading relationship itself is marked by detailed provisions on goods, and little on services. Given the EU's surplus in the former and the UK's strengths in the latter, the negative consequences for trade and investment have hit the UK harder than the EU.⁹ Without UK submission to EU regulatory bodies and the European Court of Justice, border checks are necessary and frictionless trade of goods is virtually impossible, impacting firms' strategic investment decisions.

The legally required TCA review scheduled for 2026 is limited to an assessment of the implementation of the existing provisions. However, going forward, there should be no taboo to improve the agreement at a fundamental level. A first priority should be to align security and economic considerations in support of both sides' efforts to handle geoeconomic and geopolitical risk. The TCA should hence be aligned with the EU's new economic security strategy of June 2023, which stresses the need to "intensify the cooperation with third countries on economic security issues."¹⁰ A further issue to be addressed is the deep-seated asymmetry in goods trade, which is deeply problematic to the UK's economy.

Change is difficult but not impossible

An important counterargument to substantively recasting the TCA is that the current arrangement is a logical and necessary product of the EU's political economy and legal regime, whereby non-EU-membership must imply relative disadvantages to membership. This thinking is best illustrated by EU Brexit negotiator Michel Barnier's "staircase", depicting relationship options that become increasingly unattractive as they move away from the single market and towards the rules of the World Trade Organization (WTO).¹¹

Indeed, the TCA cannot be approximated to the UK's pre-Brexit status. Membership of the single market or customs union are qualitatively different arrangements from a Free Trade Agreement. Yet when it comes to openness and flexibility with regard to mutually beneficial trading agreements, even a cursory look at the reality of the EU's external trading relations reveals a nuanced picture.

The EU has demonstrated flexibility in a variety of different trading arrangements to accommodate the interests of like-minded partners. For instance, the self-governing British crown dependency Jersey was in the single market for goods but not for services before Brexit. The model was deemed attractive to the UK as a whole by many British economists during the early phase of the Brexit negotiations and continues to be so; it was, however, a political non-starter for the EU during the divorce period.

Today, the current position of Northern Ireland with respect to the single market is further testament to the possibility of boutique, tailor-made arrangements, which become possible when higher order concerns are at stake - in this case the hard-won (and EU-guaranteed) peace and security in Ireland.

Moreover, the agreements with EEA EFTA states (Norway, Lichtenstein, Iceland and Switzerland), which for political reasons do not seek full membership, enable integration into the EU single market and participation in its shared programmes in exchange for funding contributions and elements of regulatory oversight, as well as scrutiny by the Court of Justice of the European Union (CJEU).

This varied set of agreements with non-EU members (or: “external differentiation”) is based broadly on the idea that access to the single market is commensurate with regulatory alignment. At the same time, there is no established procedure to achieve this. Rather, the EU’s approach with respect to individual states varies, taking into account “sovereignty concerns, regulatory styles, sectoral interests and indeed power politics and the salience of individual issues”.¹²

The common denominator, of course, is that EU interests are protected. With security, broadly defined, emerging as an overarching, all-encompassing theme, the EU would stand to gain from deploying its capacity for flexibility to further its newly emerging interests, namely the extension of a rules-based order that is politically and economically attractive.

In practical terms, the EU should thus be open to review elements that a possible future UK government is likely to suggest in the short-term, such as the mutual recognition of professional qualifications, better mobility for professionals, and a veterinary agreement to facilitate trade flows in foodstuffs.

In the medium-term, and with respect to addressing the asymmetry in goods trade outlined above, greater clarity on the part of the UK with respect to the role of the CJEU, regulatory alignment and level playing field commitments (notably on labour standards, environmental and climate protections) would signal both the willingness and the need for more fundamental treaty amendments. This, in turn, would open up a new political space for negotiations for both the EU and the UK.

The EU should use its capacity for flexibility to develop the TCA further, notably with a view to including its new economic security agenda. A Comprehensive Agreement on Economic Security (CAES) could overcome the isolated treatment of economic and security matters. A new EU-UK Trade and Technology Council, akin to that between the EU and the US, and the EU and India, could support the implementation of this agreement. In the medium- to long-term, the asymmetry of the current agreement relating to goods trade may need to be tackled.

EU strategic autonomy and defence

The crucial common denominator for “external differentiation” on the part of the EU is that its interests are protected. In the timeframe of 2016-2020 (that is, from the UK’s decision to leave the EU to the subsequent conclusion of the TCA) these interests on the part of the EU went well beyond the economic impact of its new trading arrangements or the necessity of protecting the single market through regulatory oversight and final jurisdiction. Instead, they extended to the existential task of preventing the disintegration of the EU, an objective that was reached (even though anti-EU forces persist in various member states).

Since then, the EU and its member states have embarked on a new agenda, namely that of de-risking their exposure to the political whims of countries that are considered systemic rivals and in an increasingly conflict-ridden global landscape. Strategies include investment screening mechanisms, joint procurement policy, designing raw material partnerships, diversifying supply chains and – crucially – ramping up the production of key technologies in both the EU and in like-minded partner countries.

The results so far, however, have been mixed. The EU and its key member states have only started to think of economics and security as two sides of the same coin, and the EU often simply still lacks the required formal powers (the Strategic Technologies for Europe Platform, for instance, was designed with virtually no funding). In consequence, moving beyond a sector- and country-specific approach to a more holistic strategy has so far been beyond the EU’s reach.¹³

The largest EU challenge, however, will lie in strengthening the EU’s defence industrial base as a prerequisite for a new European security architecture. While governments currently mostly focus on national spending, there are strong arguments for the EU to build on the existing proposals for a European Defence Strategy (EDIS) of March 2024, which in turn builds on existing EU programmes to this effect (notably the European Defence Agency and the European Defence Fund).

Aimed at both member states and directly at the defence industry, EDIS’s starting point is joint planning, thus counteracting the current fragmented and arguably inefficient approach, whereby individual member states procure “off the shelf” and internationally, as opposed to jointly and in Europe. By coordinating planning activities, incentivising cooperation between member states and providing direct support for industry, the Commission’s proposal seeks to encourage more spending within, as opposed to outside, the continent.

The proposal is politically controversial and its implementation will require adequate funding (the €1.5bn from the current multi-annual EU financial framework is only sufficient to continue existing programs, but nowhere near enough to expand them). Views across key member states differ substantially, not only with regard to the source of funding, but also on the involvement of the Commission – and thus of the community method – as such. Independent of both barriers, there remains the open question of third-party involvement, where key member states again currently disagree.

The status quo is that the barriers to participation of UK companies are high and in part unsurmountable, despite the fact that

supply chains from the UK are often heavily relied upon by European industry.¹⁴ This leaves the UK in the awkward position of having to trust that the EU's attempts in this field will continue to amount to little. Given the UK's substantial resources in this field and the shared environment of global threats outlined above, and in light of the EU's weak position and capacities in this policy field, it is difficult to describe current arrangements as productive and conducive to European security.

The EU's aim to build defence resources on a continental scale will be harder to achieve without the involvement of the UK, and likely amount to a net loss in production capacity and unnecessary duplication.

If the EU manages to make substantial progress, it should be open to cooperation in areas of mutual benefit, which may require new operational arrangements with bodies such as the European Defence Agency, the European Defence Fund and future initiatives.

A prerequisite for this will be agreement with the UK regarding its rights and obligations as a third partner, specifically relating to financing, regulation, procurement rules and conceptions of autonomy.

A new way forward

The longstanding division between security and economics in the context of European integration has become a risk for the EU, its member states, and neighbours alike. Various efforts have been made in all the treaties from Maastricht onwards to address the problem of a perceived lack of coherence. This has partly been about institutional divisions between 'pillars', partly about 'vertical incoherence'

between the member states and partly, as set out above, about issue-areas.

Given these difficulties, the EU's historic advantage has been, *faute de mieux*, to interpret security to be much wider than the military sphere, stretching it to include economic security, human security and increasingly environmental security. In light of the return of geopolitics, the EU should build on this foundation to ensure the use of all the instruments it has sought to mobilize in the past.

Drawing on this experience, and with respect to its relations with the UK, the EU could undertake an important step forward, acting in its own interests and capacity for flexibility, to bring its former member and its hard power assets back into the fold as far as possible. This would occur not just to the advantage of the EU but constitute a vital contribution to a bigger prize, namely Europe's urgent and tangible security needs.

Finally, the rapprochement argued for above will require requisite actions on the part of the UK, over and beyond those highlighted above. Decisions made by any new government post-election will be observed carefully in Brussels and national capitals, with a view to discerning Westminster's concrete offers and overall posture towards the EU, as it engages in its very own challenge of carving out a role in a changing European and global order.

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