

UK General Election BGA Briefing – focus on the UK/EU relationship

On 22 May, British Prime Minister Rishi Sunak unexpectedly called a General Election, to be held on 4 July 2024. The result could have far-reaching consequences for not only Britain’s political landscape, but also for British relations with the European Union and with individual member states. BGA will be producing weekly briefings until Election Day, focusing on the most significant topics for business and the implications for the economy, plus updates on the latest opinion poll data.

General Election – the opinion polls

- There are growing signs that Labour will win the election by a large margin. The latest YouGov poll put the party at 38%, with the Conservatives at 18%, neck-and-neck with Reform UK on 17%, pushing the Liberal Democrats into fourth place (15%). The Greens are polling at 8% and the SNP at just 2%. In the betting shops, the odds of Labour being returned with a solid majority are now 87%.
- If the prevailing mood of the last general election back in 2019 was “get Brexit done”, the mood this time round is increasingly “get the Tories out”. The first-past-the-post electoral system means that they are likely to get more seats in Parliament than Reform, despite now polling at approximately the same level. But many Conservatives now seem to fear a genuine landslide Labour victory, and Defence Secretary Grant Shapps has warned publicly against handing them a supermajority. Some Tory messaging is now along the lines of ‘we won’t win, but vote for us anyway, to prevent the country slipping into a one-party state’.
- The TV debates and interviews continue to focus on the themes of migration, cost of living, taxes and the NHS. Also much discussed is Rishi Sunak’s decision to leave the D-Day commemorations in France early, in order to record a TV interview. Foreign Minister Lord Cameron stood in for him in the final ‘family photo’ of world leaders.
- The Conservatives launched their manifesto this week. It consists mainly of already-promised policies, heavily trailed in recent weeks, such as tax cuts for the self-employed; support and tax breaks for first-time homebuyers; an increase in the defence budget to 2.5% of GDP; tougher sentences for criminals and the building of new prisons; regular deportations of illegal migrants to Rwanda; and the promise to achieve Net Zero at no additional cost. The total tax cuts offered amount to around £17bn per year by 2030, and the manifesto argues that this can be paid for through reforming and reducing welfare payments, as well as reducing headcount in the civil service. The Labour Party criticised the plans as unaffordable, while at the same time some in the Tory ranks claimed they didn’t go far enough.

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- Labour launched their own manifesto on Thursday. It, also, contained few surprises. At the launch, Sir Keir Starmer talked again about economic stability and creating new wealth, and how these themes must have priority. The manifesto promised £8.6bn of tax increases, among them higher taxes on oil and gas companies; tax on private school fees; increased taxation of private equity executives; and closing a range of tax loopholes. The manifesto also says a Labour government would look to borrow up to an additional £3.5bn a year, meaning that they would have around £9.5bn spending margin. The party wants to use the money to find 6,500 new teachers, increase the number of NHS consultation hours available, and to fund its green prosperity plan.
- There was another TV debate between Sunak and Starmer, with Starmer emerging the winner this time – by 64% to 36%, according to a flash poll from YouGov. But neither the debates nor the manifesto launches seem to have changed the minds of many voters. Rather, they seem to be simply confirming people in their views. Also noteworthy is the almost complete absence of a debate about the future relationship with the EU – even though that will be of considerable significance to the UK’s future economic performance.

The impact of a new government on the UK/EU relationship

- The issue of Brexit has, thus far, been mostly absent from the election campaign. It is not discussed by the main parties and, according to party strategists, has no potential to win votes. Surveys on Brexit continue to make headlines, and suggest that today, around 55% of voters believe that Brexit was a mistake. That is a reversal of the Brexit referendum result (52% leave, 48% remain), but not a dramatic shift. It seems that Brexit continues to be an issue that divides the country.
- The status quo relationship between the UK and the EU is set out in the Trade and Cooperation Agreement (TCA), which covers areas such as trade in goods and services, energy, movement of people, fisheries policy and much more. The TCA is subject to review every five years, and this process will begin in 2025, with a renegotiated agreement set to come into effect in 2026. However, it is expected that this review will be mostly technical in nature: it may bring some improvements, but nothing fundamental will change.
- However, what the relationship between the EU and the UK will look like in the coming years depends as much on the UK as it does on the EU itself. The Windsor Framework Agreement negotiated by Rishi Sunak has certainly significantly improved the climate between the two

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sides. But there is still a trust gap. Moreover, both sides have their fixed positions. The EU determined that the UK will not be allowed to “cherry pick” in its engagement with the EU. And Keir Starmer has repeated his red lines multiple times: under Labour, there will be no rejoining the EU, no return to the Single Market, and no free movement of labour.

- Nevertheless, it is broadly expected that under a Labour government, relations with the EU would improve. They, and the review of the TCA, are expected to be made the responsibility of Nick Thomas-Symonds. He is currently a minister without portfolio in the Shadow Cabinet, but he was responsible for the TCA during its negotiation as shadow minister for trade and is familiar with its details. Thomas-Symonds studied Politics, Philosophy and Economics (P.P.E.) at Oxford, and then embarked on a career in law, specialising in commercial and business law. He has frequently said that the TCA could be improved, and like his party leader Starmer, calls for better relationships with Europe without rejoining the EU.
- On the other side, the EU is also changing – and sometimes in ways that may have a negative impact on the UK/EU relationship. For example, the new European Entry/Exit system is set to be introduced by the EU in October. This means that all non-EU citizens, including Britons, will have to provide biometric data (e.g. fingerprints) every time they enter the bloc. In future, this can be done in advance, via an app – but the app isn’t ready for the introduction of the EES. This is likely to lead to large waiting times at border crossings, particularly the port of Dover. Hurdles like these can have a significant impact on the movement of goods in particular (lorry drivers, SMEs). It is assumed this topic will be high on the agenda for the TCA review. Closely linked to this is the topic of migration and internal security.
- Defence cooperation was not a part of the TCA. However, following the Russian attack on Ukraine, the UK demonstrated that not only does it stand up for European values, it is willing to work closely in cooperation with the EU on security issues. This is unlikely to change under a new government. Shadow Defence Secretary John Healey has already visited Kyiv and pledged ongoing support. He has announced that Labour too would increase the UK’s defence budget to 2.5% of GDP, and that he is committed to British leadership within NATO, as well as closer cooperation with European countries. Additionally, Healey said in an interview that he wants particularly to strengthen German-British defence and armaments cooperation. Accordingly, this area could in future be included within the TCA or regulated in various supplementary agreements (both EU and partly bilateral), which could be extended to the defence industry.

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- Financial services were a point of particular contention during the Brexit negotiations. Since Brexit, a number of finance firms have decamped to Europe (Frankfurt, Dublin, Paris, Amsterdam), but London remains a vital centre of world finance, including for the Eurozone and wider Europe. One point of great focus was so-called 'passporting', i.e. the ability for one company within the European Economic Area (EEA) to do business in another country without additional authorisation. After Brexit, this is not allowed for UK firms. Even after Brexit, some 90% of euro-clearing is still conducted in London – so it is clear that both sides still need each other, especially in the field of financial services. This area is also likely to be looked at during the TCA review.
- The European Political Community (EPC) is not an official EU body but rather an intergovernmental organisation made up of 47 European states and is completely unrelated to the TCA or the formal bilateral links between the UK and the EU. Nevertheless, its next meeting on 18 July will follow on the heels of the election and would be an opportunity for a new Prime Minister Starmer to introduce himself to his new colleagues. The meeting will take place in the UK, at Blenheim Palace, so Starmer would even have the prominent role of host. This first meeting is likely to set the tone for how Starmer and his counterparts will shape the future relationship between the UK and the Continent.

If you have any comments on this briefing, or for questions, please contact the BGA team in London:

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