A Triumph of Hope Over Experience

Labour's EU Reset

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Rt Hon Lord Lilley served in the Cabinets of Margaret Thatcher and John Major as Secretary of State for Trade and Industry and then for Social Security. He stood for the leadership of the Conservative Party in 1997, becoming Shadow Chancellor then Deputy Leader, with responsibility for policy renewal, until 1999. He stood down as an MP in 2017 and was made Lord Lilley of Offa in 2018. In the Lords he has served on the Select Committee for the EU Internal Market, then the Environmental and Climate Change Committee until 2024 and currently serves on the Financial Services Regulation Committee.

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Published by
Policy Exchange, 1 Old Queen Street, Westminster, London SW1H 9JA

www.policyexchange.org.uk

ISBN: 978-1-918832-08-2

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Executive Summary

The government has approached its 'Reset' of Britain's relations with the EU with unquestioning faith that participation in the single market would magically boost UK exports and economic growth. As the Trade and Industry Secretary who oversaw our entry into the single market, I too predicted it would boost our exports. But I was proved wrong. During our 28 years membership our goods exports to the EU grew by less than 1% pa while they grew by four times as much -87% - to the 111 countries with which we had no trade agreement.

Labour's manifesto promised "*no return to the single market … or free movement*", proposing only a veterinary agreement (i.e. Sanitary and Phyto-Sanitary rules for food and drink). Nonetheless, the government has subsequently agreed - at the EU's insistence since these were not previously UK objectives - to participate in the EU's Electricity market and the Carbon Market (merging our Emissions Trading Scheme and planned Carbon Border Adjustment Mechanism into theirs).

In all three sectors, the EU has a substantial trade surplus with the UK, stands to gain far more from the arrangements, requires the UK to adopt all existing and future EU regulations interpreted by the European Court of Justice – yet expects the UK to pay for the EU's administrative costs. All three will increase British producers' costs and inhibit their innovation.

The EU deems that those sectoral agreements constitute partial participation in the single market. EU doctrine therefore requires the UK to make a proportional contribution towards reducing economic and social disparities within the single market (money that could be used to level up the UK) and also to bring back an element of free movement at least for young people.

Youth Mobility and Erasmus. Given Labour's manifesto commitment not to return to free movement the government is equating the EU's demand with the longstanding 'youth mobility scheme' with Australia, Canada and New Zealand and claiming that since more Britons go to the Dominions than their young people come here a similar EU scheme will not result in a net inflow to the UK. This again ignores our experience of free movement in the EU which led to a massive net inflow of predominantly young people. The government has also agreed to rejoin the Erasmus scheme at a future cost of £810 million pa (mostly on EU students coming here) and scrap the Turing scheme which cost only £110 million (entirely on UK students who could choose between 150 countries).

Dynamic Alignment as the norm. On top of these distinctly unequal arrangements, the Chancellor proposes that the UK will dynamically align UK laws with the EU as "the norm" in all other sectors (except for possible unspecified strategic sectors). She intends to do this unilaterally without obtaining or even seeking any concessions from the EU - like simpler certification that goods meet EU standards. Despite the Chancellor's claims, this will not make exporting to the EU easier since firms exporting to the EU already conform to EU standards and only need produce one range of goods for both the EU and UK markets since we accept EU standards as equivalent. Worst of all, this will apply the burden of EU law to the 92% of firms which do not export to the EU - even though the EU itself recognises that overregulation is the main cause of the EU's slow growth.

SPS. There should be no need for an SPS agreement with the EU since we are already party to the WTO SPS Agreement embracing the EU – which requires signatories to *accept the sanitary or phytosanitary measures of other Members as equivalent* if they meet similar standards. The EU complies with the WTO agreement for New Zealand whose animal products are subject to just 2% checks. However, even though Britain's regulations remain identical in many areas - including dairy, fish, eggs and red meat - the EU now subjects 100% of these products from Britain to paperwork checks and 30% to physical checks. This was presumably to demonstrate to other EU members that there was a cost to leaving the EU.

The proposed SPS deal will remove these checks and need for certification but in return the UK will have to apply the EU checks on imports from the rest of the world – giving EU farmers privileged access to the UK, by far their biggest agri-food market. This will potentially infringe the terms of existing trade agreements and may make new agreements impossible.

The SPS agri-foods sector was an odd choice as the centrepiece of a Reset deal if it was supposed to reignite UK growth by improving access to the EU single market. Agriculture accounts for less than 1% of our economy, little of which is exported since we produce far less food than we consume. Imports from the EU are four times our exports to them. We could only increase exports and improve that trade balance if we increase total production of food and drink. Unfortunately, the terms of the Reset agreement will foreclose many options for increasing output by reversing divergences in regulations introduced since Brexit. DEFRA has published a list of 76 directives and regulations to which all food producers - not just the minority who export - will have to adapt.

The proposed SPS deal will:

- prevent an increase in our take of fish from UK waters - the sector where we could most readily increase output. But the EU insisted we freeze the take at present levels for 12 years as a condition of opening negotiations on the Reset. (Estimated cost: £500 million pa).
- stop precision breeding (gene editing) and use of gene modified

crops.
- outlaw plant protection products necessary in our damp, warm climate. UK and EU rules have diverged on thousands of plant/product pairings since Brexit. (Estimated cost of reversal: £500-810million pa).
- rule out Bovine tubercular vaccination,
- make organic egg production impossible.

The identified costs above exceed the government's claimed £9 billion benefits over 15 years - just £600 million pa.

Electricity. The EU says there are technical problems linking the UK and EU electricity markets. But it proposes far more than a technical solution to a technical problem. The UK will have to dynamically align with, and accept ECJ interpretation of, EU regulations and pay the EU's administrative costs - even though the EU exports four times as much electricity to the UK as vice versa. On top of that it requires the UK to adopt a target that renewables supply 42.5% of all energy (not just electricity which is only a fifth of total energy) by 2030. Our present proportion is just 16%.

Carbon Markets – ETS and CBAM. It is proposed that the UK merges our Emissions Trading Scheme and our planned Carbon Border Adjustment Mechanism with those of the EU. This will equalise the price of UK ETS Allowances with those of the EU which have been 43% higher - increasing the cost for British firms by £1.1 billion pa.

The EU CBAM, which we will copy, applies tariffs just to inputs like iron and steel, aluminium, cement, fertilisers and hydrogen of which we produce very little. So we will be protecting EU producers and raising costs of inputs used by our manufacturers and farmers.

Trump and Defence. Although originally justified by the supposedly growth boosting power of aligning with the single market, advocates of the Reset now invoke strategic arguments since President Trump's capricious behaviour makes America a less reliable ally. But co-operation with non-American NATO allies is no reason for us to adopt their laws let alone pay a fee of £billions to participate in joint defence procurement arrangements like SAFE.

Undoing 'costs' of Brexit. The Chancellor and other ministers have seized on a non-peer reviewed study purporting to show that the UK would have grown 8% more but for Brexit. That would mean that instead of our GDP per head growing twice as fast as Germany and Canada and only marginally slower than France, we would have outstripped them all by a wide margin. No-one was forecasting this stellar relative performance - and the study excludes these obvious comparator countries.

In any case, the other aspect of this study shows that firms were adversely affected not by the outcome of Brexit but primarily by the

prolonged uncertainty during the withdrawal negotiations. Those who helped prolong them are reluctant to acknowledge that this was damaging, nor that lost growth cannot be recuperated by aligning with the EU, still less by rejoining which would repeat those damaging years of uncertainty.

Art of the Bad Deal. Such an astonishingly bad deal as the proposed Reset is the result of a series of mistakes: beginning with Ministers believing their own rhetoric (that Tory's allegedly belligerent approach resulted in a bad deal so a friendly, Europhile government will be offered a better deal); that offering initial concessions (like conceding fishing rights for 12 years) would elicit positive terms; declaring that a Reset was essential for growth which told the EU they could demand almost any concessions; lacking any experienced negotiators from trades unions or business they failed to prepare a Best Alternative to No Deal or to identify the UK's concrete objectives or to analyse those of the EU; instead they used meaningless words and metaphors like 'reset' or 'getting closer' as a substitute.

We can only hope that Ministers will realise that a deal as presently outlined is so contrary to our national interest that they pull back before signing away any more of Britain's interests.

Introduction

Do you believe in magic? Government ministers do – and they know where to find it. According to Peter Kyle, our Minister for Business and Trade: "*the single market is where the magic happens*". Britain only needs to get 'closer' for that magic to rub off on us and make our exports and economy grow. Rachel Reeves endorsed this hope in her Mais lecture.

If only! As Secretary of State for Trade and Industry, I was responsible for overseeing our entry into the single market when it began in 1992. I confess, I made speeches claiming it would wonderfully boost our exports. I assumed that single market membership would benefit our exporters even more than the Uruguay Round that we were negotiating simultaneously, which halved tariffs worldwide and created the World Trade Organisation.

A quarter of a century later the figures showed that I was wrong. UK goods exports to the single market had stagnated – growing by less than 1% a year over that entire period. By contrast, over the same period, our goods exports to the countries we traded with just on WTO terms, grew nearly four times as much – by 87%.

The magic of the single market failed to work for us during our 28-year membership.

How is it that ministers seem unaware of this? For the same reason that almost the whole British governing class is unaware of how the single market worked in practice. No-one needed to ask because, the single market was the one aspect of the EU which almost everyone across the political spectrum, agreed was a 'Good Thing'.

Free market Conservatives welcomed it because it was supposed to unleash market forces; Eurosceptics were persuaded to support it because it had been promoted by Margaret Thatcher herself[1]. At the same time Labour and social democratic Europhiles were persuaded by Jacques Delors[2] to back the EU single market as a way the state could regulate the market in the public interest – through European institutions (without the need to win elections in the UK which the Left failed to do for 18 years).

Harold Macmillan warned that the worst political mistakes are made when both sides of Parliament agree on something – because then there is no-one asking the difficult questions.

We have 28 years of experience – which, if we choose to examine it, would be far more valuable than reliance on hope. Before the government's Reset returns Britain back surreptitiously to the single market it is important to ask those difficult questions: How did it work for us last time? Will it

1. For full disclosure (though far less influential) so did I – in '*Thatcherism the Next Generation*' CPS 1989.
2. Jacques Delors' address to the Trades Union Congress in 1988 was pivotal to converting the Labour movement, many of whom had been opposed to membership of the European Common Market which they saw as a free market entity.

work this time? How much did it cost then, and will it cost now? What does it involve? Who benefits – Britain or the EU?

UK experience of the Single Market

The European Common Market which the UK joined in 1973 was essentially a conventional free trade agreement and customs union which removed tariffs, quotas and most border customs controls on trade between member states. The EU single market[3], which the UK helped create and participated in from its inception in 1992, was intended to go further and remove the hidden trade barriers (deliberate or accidental) arising from the different regulations applied within each member state.

Its aim was to boost trade between member states and thereby stimulate economic growth. The conventional wisdom was that these non-tariff barriers were greater obstacles to trade than tariffs. So, the single market was expected to increase trade even more than the Uruguay Round which was being negotiated simultaneously and roughly halved tariffs between developed countries and established the World Trade Organisation (WTO).

That was certainly my expectation - expressed in several speeches at the time – as Secretary of State for Trade and Industry responsible for overseeing Britain's participation in the single market and for negotiating the Uruguay Round.

It is almost as universally assumed that the benefits expected from the single market did duly materialise over the next quarter of a century during which we were members.

But did they? Alas they did not.

UK goods[4] exports to our EU partners with whom we created the single market stagnated – growing at less than 1% a year, far slower even than the British or EU economies. By contrast, UK goods exports to the 111 countries with whom we traded on 'WTO terms' with no trade agreement, grew four times as much – by 87%[5].

Impact of Single Market and WTO on UK Goods Exports 1992-2015

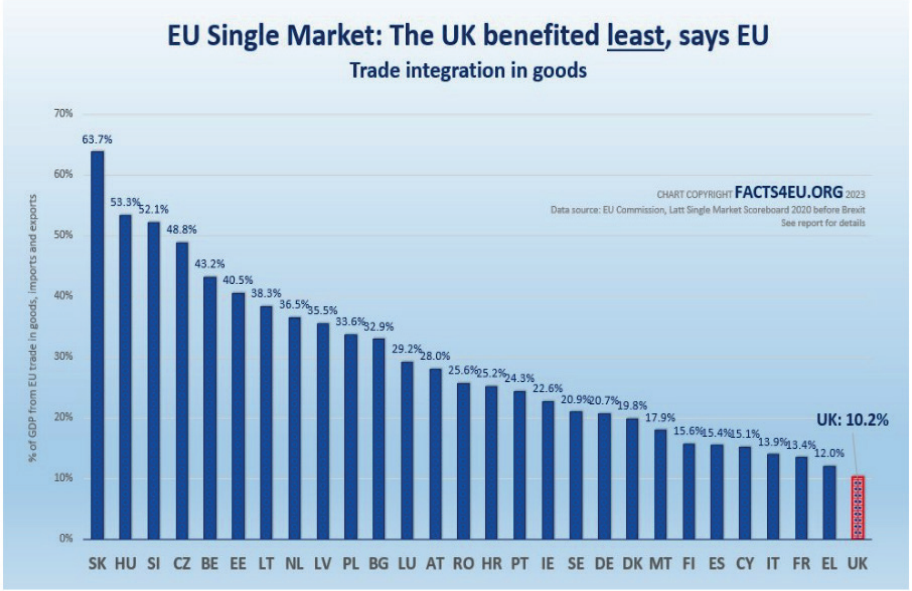
• UK goods to EU Single Market (14 founding members)	• +22% (0.9% pa)
• UK goods exports to 111 WTO countries with no UK free trade agreements	• +87% (2.9% pa)

Source: Burrage, Civitas 2017

3. The programme was initiated by the Single European Act in 1987 which revised the European Treaties and set a start date which gave the single market its original title of "*1992*" – though the process of removing barriers was expected to continue beyond that date. The EU often uses the term '*Internal Market*'.
4. Goods exports to the 14 original member states of the EU. Consistent historic figures of services exports are harder to come by. Despite British efforts, there has been little progress in developing a proper single market in services. By 2012, UK services exports to other SM members had grown slower than those of any countries except Greece and Italy. *Myth and Paradox of the Single Market*, Michael Burrage, Civitas 2016
5. *Review of UK's Brexit Options*, Michael Burrage, Civitas 2017

Why is this not generally recognised? A trawl of both political and academic literature reveals that astonishingly few attempts have been made to assess whether those positive outcomes for UK exports and growth did materialise. Some studies have been made of the impact of the single market on the aggregate of trade between member states as a whole. Studies using the so-called 'gravity model' suggest that it has boosted trade on average between member states. But this method cannot distinguish its impact on exports of an individual country like the UK. Failing which, some advocates simply assume that the average impact on trade must apply to the UK. That is patently incorrect given the slow growth of UK goods exports within the single market.

One explanation of why UK goods exports have performed so poorly is provided by the EU itself which showed that UK trade is the least orientated towards its EU partners. So, we stood to gain least while bearing the full cost of overregulation and protectionism.



The fact that the single market did not boost UK exports does not mean it was without merit. The main feature of the single market programme was the removal of barriers created by differences in national legislation. Initially, this was achieved by mutual recognition: if sale of a product was legal under one member state's regulations it was legal in all the others. Subsequently, the EU has tended to harmonise legislation across member states. Both mutual recognition and harmonisation meant manufacturers no longer needed to produce a different range of, say, washing machines for each of up to 14 (eventually 28) countries.

This reduces producers' costs and pressure of competition forces them to reduce their prices correspondingly. So, consumers have undoubtedly gained from the single market. But this did not give domestic producers an advantage over imports. American, Japanese, Chinese etc exporters to

the EU also only have to produce one range of goods for the whole EU. Since Brexit, UK exporters likewise enjoy this benefit and do not need to produce a separate range for our domestic market because we recognise EU standards as equivalent to ours. Moreover, third countries exporting to the EU do not have to apply EU regulations to the vast majority of their firms which do not export to the EU.

As the figure below shows: trade between the founding members of the EU single market has grown much less than exports from the G20 countries to them.

Source: Burrage, Civitas 2017 Based on IMF data

The EU itself has begun to realise the harm done by its overregulation for example in the Draghi Report[6]. But despite some attempts to remedy this, the stream of new regulations continues to flow – over 2,000 last year, plus 25 directives.

Britain's concrete experience showed how participation in the single market failed to stimulate our exports to the EU. Estimating the impact of EU overregulation on our growth prospects is more difficult. In evidence to the Lords Committee inquiry into dynamic alignment the Competere Foundation calculated that the SPS agreement alone will mean forgoing 0.5% of GDP equivalent to £15 billion pa through its deadening effect on competition and innovation.[7] Dynamic alignment also forecloses opportunities for greater trade with the rest of the world.[8]

In short, the evidence suggests that, far from having a magical effect on UK exports, any effect of the single market was – for identifiable reasons – smaller than for any other member state while it still imposed the full negative burden of EU overregulation on the whole of our economy.

The suggestion that rejoining or aligning with the single market will boost our trade with the EU is not supported by our 28 years of experience as members.

6. *The future of European competitiveness* Mario Draghi Sept 2024
7. Competere Foundation (2026) Competere – Dynamic Alignment Call for Evidence: Response to House of Lords Call for Evidence on UK-EU Dynamic Alignment (DYN0016). House of Lords European Affairs Committee, 21 April. Available at: UK Parliament Written Evidence DYN0016, Link
8. Ibid.

The 'Reset'

The manifesto on which Labour was elected in 2024 promised:

> *"With Labour, Britain will stay outside of the EU. But to seize the opportunities ahead, we must make Brexit work. We will* ***reset the relationship*** *and seek to deepen ties with our European friends, neighbours and allies. That does not mean reopening the divisions of the past. There will be* ***no return to the single market,*** *the customs union****, or freedom of movement****." [emphasis added]*

> *"Instead, Labour will work to improve the UK's trade and investment relationship with the EU, by tearing down unnecessary barriers to trade. We will seek to negotiate a veterinary agreement to prevent unnecessary border checks and help tackle the cost of food; help our touring artists; and secure a mutual recognition agreement for professional qualifications to help open up markets for UK service exporters. Labour will seek an ambitious new UK-EU security pact to strengthen co-operation on the threats we face. We will rebuild relationships with key European allies, including France and Germany, through increased defence and security co-operation."*

The May 2025 EU/UK 'summit' explored areas with the potential to strengthen bilateral cooperation between the European Union and the United Kingdom and agreed a Common Understanding setting out the conclusions of those exploratory talks.

The conclusions relating to the economy were entitled "*Strengthening our economies while protecting our planet and its resources*". As that title suggests, there was a particular focus on Energy and Climate Change policy. This involved UK first, joining the EU internal electricity market and second, linking the UK and EU carbon markets (merging our Emissions Trading Schemes and Carbon Border Adjustment Mechanisms). The third item was to work towards a Common Sanitary and Phytosanitary Area – the Veterinary Agreement promised in the Labour manifesto which covers trade in food and drink.

The UK is required to adopt dynamic alignment with the EU's laws in those three sectors.

Far more significant than what the Common Understanding does include is what it does not say. There is no reference to the prospect of the UK adopting 'dynamic alignment' except in these three areas.

Yet since the Common Understanding document was published, Ministers have begun to talk about dynamic alignment becoming the norm for all sectors but for a few (if any) exceptions. That appears to be a unilateral decision taken by the British government with no attempt to secure any quid pro quo from the EU.

Dynamic Alignment

In her Mais Lecture in March, the Chancellor, quoting the Prime Minister, said: "*where it is in our national interest to align with EU regulation, we should be prepared to do so – including in further areas of the single market.*"[9]

She went on to make clear that this is not just a few areas. "*Now there are*

9. Mais Lecture 17th March 2026 www.gov.uk

areas in which regulatory autonomy ***may*** *be necessary – for sectors with unique characteristics or strategic importance for the UK.* ***But that should be the exception not the norm.***" [emphasis added]

In other words, it is the government's intention to dynamically align our laws with EU law in most, and maybe all, sectors of the single market. This goes far beyond the Manifesto commitment to a Veterinary/SPS agreement and well beyond the Common Understanding that extended dynamic alignment to the Electricity and Carbon markets.

Aligning with most if not all sectors of the single market sounds very much like rejoining it. That is hard to square with Labour's crisp manifesto promise of "*no return to the single market*".

Ministers could – but probably will not – argue that unilateral dynamic alignment with the single market is not the same as rejoining the single market. They would be technically correct. But they would have to admit that dynamically aligning without joining the single market would not require the EU to make even the modest, reciprocal concessions to make trade easier which single market membership involves. It would not achieve the removal of unnecessary paperwork and border checks[10] on UK exports, simplifying conformity assessments etc. But because the government is *unilaterally* committing to dynamic alignment with the EU it has apparently not even asked for such concessions.

Ministers argue that dynamic alignment with the EU is nonetheless good for us for several reasons:

- British goods exported to the EU have to conform to EU laws anyway,
- it saves British exporters having to produce goods to different standards for the UK and EU markets,
- it is common sense to align our laws with those of our biggest and closest market,
- and it is normal for EU's trading partners to align with EU laws.

None of these arguments stand up to scrutiny.

- It is true that goods our firms export to any market – be it to the EU, USA, China etc – must conform to the laws and standards of that country. So imposing EU laws domestically will not help exporters to the EU because they must and do already meet EU standards.
- Since we accept EU standards as equivalent (or in most cases identical) to our own, UK exporters do not need to produce a different product range for the home market. The main impact of dynamic alignment will therefore fall on the 92% of firms which do not trade with the EU but will have to bear the burden of conforming to EU laws – burdens which have made Europe the slowest growing continent in the world.
- Far from being self-evidently beneficial for a country to align its laws with those of its dominant neighbouring trade partner, it is

10. Normal customs declarations and procedures, declarations of origin etc. remain essential even for countries participating in the single market – i.e. members of the European Economic Area. But the EU could remove unnecessary additional paperwork like certification of compliance and physical border checks of goods coming from a country with identical product laws and standards.

almost unknown. The most comparable situation to that of the UK and its large continental neighbour – the EU (which takes 41% of UK total exports), is that of Canada vis a vis its large continental neighbour – the USA (75% of Canada's exports). Both the UK and Canada have zero tariff, zero quota free trade agreements with their big neighbour.

Yet no Canadians – even pre-Trump - have suggested that it would be beneficial for Canada to align its laws automatically with those of its large continental neighbour. Nor has the USA – even under Donald Trump – suggested that Canada should be obliged to do so to avoid unnecessary border friction.

Even Mark Carney has changed his tune. As Governor of the Bank of England, he went beyond his remit and appeared to support the UK dynamically aligning with the EU and even that we consider forming a UK/EU Customs Union[11]. Since returning to Canada and becoming Prime Minister, he takes the opposite stance: not a hint of aligning Canada's laws with America's let alone contributing to the US budget! At the WTO he eloquently advocated that medium powers like the UK and Canada should negotiate a network of Free Trade Agreements. That would be impossible for either country if it was dynamically aligned, or in a Customs Union, with its huge neighbour.

- Nor is it a normal requirement for the EU's trading partners to adopt its rules and standards. The EU has free trade agreements with 70 countries. Only seven of these countries have agreed to dynamically align with the EU. All of them are either current applicants for EU membership (Ukraine, Moldova and Georgia) or countries (Norway, Iceland and Liechtenstein) whose governments once aspired to join the EU and joined the European Economic Area en route but were thwarted by their electorates, plus Switzerland[12] (which has a similar web of agreements). What all these have in common is that the EU sees them as potentially part of its territory. Britain should not consider itself in that category.

In short, unilateral dynamic alignment with EU law has no obvious benefits and is normally seen as part of the process of being absorbed into the EU which is essentially a zone adopting identical laws.

Unfortunately, unilateral dynamic alignment despite having no obvious benefits, has significant disadvantages.

Dynamic alignment deprives the UK of significant areas of policy autonomy over which it 'took back control' in the Referendum. The former Governor of the Bank of England, Lord King, said: '*There was a case for remaining in the EU in order to have a say (albeit small) in the laws which govern us. And there was a case for leaving the EU to take control of those laws. But there is no case for leaving and then not exercising the power to make our own laws.*'

Dynamic alignment is that irrational third option. It will restrict UK ability to make our own laws and regulations sector by sector covered by

11. "The deeper the relationship with Europe ... the better its going to be over time for the UK economy" Carney told President's Club. Financial Times 26 June 2018

12. The Swiss electorate rejected even membership of the European Economic Area.

the Reset process. That has several consequences.

- It means applying EU law to the 92% of firms which do not trade with the EU. The EU itself has recognised that a major reason for its lethargic economic growth is the sheer burden of its over-detailed regulation. Unfortunately, despite repeatedly identifying this problem – from the Lisbon Strategy Report[13] in 2004 to the recent Draghi Report – little has been done to stem the tide of regulations.
- It means progressively restricting the reach of our Common Law and replacing it by continental code-based law – at a time when newly emerging competitive economies are opting for Common Law. "*The common law practitioner seeks to deal with the practicalities as they arise. The civil lawyer seeks to create a solution that works in every conceivable circumstance, no matter how.*"[14]
- It means rescinding any divergences from inherited EU law which we have introduced and adopting those of the 20,000 new regulations and directives introduced by the EU since we left which are relevant to the sectors with which the government aligns.
- As we shall see in the analysis of the SPS deal – that has serious consequences for agriculture since the combination of deliberate divergences and new EU rules are more substantial than most people realise. As a result, the NFU – once very pro-single market has expressed strong concerns about the planned Reset.
- Likewise, City UK – once strongly in favour of the single market – has reportedly lobbied, so far with success, to persuade the government not to include the financial services sector in its planned dynamic alignment (preferring to focus on easing short term business visa terms and recognition of qualifications). This is a major turnaround in the City's views. During the EU withdrawal negotiations, big City firms were among the most fearful of leaving the single market and argued it would lead to an exodus of jobs, firms and business to the continent. Those fears proved exaggerated. Recently, J P Morgan which once warned that Brexit would mean it moving 4,000 jobs to the continent, subsequently reduced to 1,000, recently decided to move some of its Paris staff back to London. Now the City fears losing the benefits of divergence from EU rules already introduced since Brexit and the promise of more to come.
- The UK would be obliged to apply EU rules to our trade with the rest of the world.
    - That would mean excluding goods which do not conform to EU standards even if at present we allow them to enter the UK because the standards of the home country are equivalent i.e. they achieve our required levels of safety etc.
    - That in turn would render the UK liable to the same legal challenges which the EU frequently receives from countries

13. *Facing the Challenge: the Lisbon Strategy for Growth and Employment* High Level Group Chaired by Wim Kok Nov 2004
14. *Two Legal Systems – Two Cultures? Common Law v European Civil Law* Barney Reynolds Politeia 2019

like the USA, NZ, India and others. And where the EU refuses to comply with an adverse ruling, as it often does[15], we would have to follow suit.

- This would be incompatible with the terms of our trade agreements including the CPTPP. Dynamic alignment structurally breaches Article 7.9 (which requires science/risk-based analysis rather than hazard-based precautions) and Article 7.8 (which requires the UK to make independent equivalence determinations), as well as the Good Regulatory Practices chapter.
- It would make it hard, if not impossible, to negotiate additional agreements – since modern trade deals invariably rely on equivalence and rule out banning imports for non-scientific reasons.

- Even if the EU responds to Britain's realignment by removing unnecessary bureaucratic impediments to British exports to the EU, the UK would have to impose those same impediments to imports from the Rest of the World. There is almost no mention of this aspect of alignment by advocates of the Reset. But it is inherent in the single market legal system. Indeed, it is a logical part of it. The EU argues that it can only remove checks etc at its border with a neighbouring state if it knows that the goods coming in – whether produced in the UK or imported from elsewhere – conform to its rules and standards. So, the UK must not just align its domestic rules and regulations but also apply the EU's checks and controls to whatever it imports from outside Europe.

That is demonstrated by the Irish Sea border between Great Britain and Northern Ireland. The justification for leaving Northern Ireland within the EU single market was to avoid the EU imposing border checks on imports at the border between the Irish Republic and Northern Ireland. But the consequence was that those checks have to be carried out at the Irish Sea Border on goods entering from Great Britain – whether produced in GB or imported from the Rest of the World[16].

The purist rigour with which these controls are applied is exemplified by the explanation given by EU officials for controls the EU insists on applying to agrifoods entering Northern Ireland from GB. The EU cites one of the few relaxations Britain has made to agri-food rules inherited from the EU – namely that GB no longer bans importation of oranges from countries where Black Spot has not been eliminated. Black Spot is not a health hazard, but it can reduce the attractiveness and therefore value of oranges. Since the UK does not produce oranges the ban on imports was lifted.

The EU argues that if potentially affected oranges, imported into GB, were allowed to enter Northern Ireland they could be sold in a supermarket to an Irish citizen shopping across the border who might then take it on a visit to Spain and drop the peel in a Spanish orange orchard potentially

15. The EU lost cases in the WTO Appellate body on Beef Hormones ban and its exclusion of genetically modified products. More recently it has faced a joint complaint to the WTO from 16 countries that its approach to pesticide use is an unnecessary and inappropriate restriction on trade and another challenge from 20 countries that its restrictions on endocrine disrupting chemicals ignores scientific evidence. At present the WTO appellate body is not functioning because of US refusal to nominate judges.

16. With the exception of goods certified as destined solely for use within Northern Ireland.

infecting the trees. This imaginary risk is far less likely than a Briton taking an orange in his car via Calais, where EU customs do not inspect private cars, and then travelling on to Spain. But it is used to justify controls not just on oranges but all agri-foods entering NI from GB!

Dynamic alignment will presumably involve the UK aligning our external border controls with the EU's. This will not only involve banning goods which the EU bans (like oranges from certain countries) but also imposing the same frequency and intensity of checks and certification on goods from the rest of the world to check compliance of imports from the rest of the world with EU rules.

- To implement dynamic alignment will require EU laws and regulations to be incorporated into UK law without Parliament being able to reject or even amend past or future changes. This involves using a so-called 'Henry VIII power' – a reference to that King's autocratic attempts to legislate without Parliamentary consent. In this case, perhaps it should be called a 'Louis XIV power' since it gives a continental power the right to impose laws without Parliament having a say.

The government may well hope that, if it unilaterally commits to dynamically aligning UK law in all but a few exceptional sectors, the EU will offer the UK full single market 'access' to those sectors. That is an extraordinarily jejune way to negotiate that end. In any case, it ignores the fact that the EU always argues that unfettered access to the single market requires acceptance of the Four Freedoms - free movement of goods, services, capital and people. They go together and member states must accept them all. When Switzerland voted in a referendum to restrict free movement, the EU responded by suspending the whole array of agreements which allow Switzerland unfettered access to the single market.

The EU may tolerate minor or temporary derogations from its Four Freedoms principle but is unlikely to allow the UK to exclude indefinitely a major sector like financial services from a sector-by-sector re-entry of the single market.

There is an alternative

There is an alternative to dynamic alignment to facilitate trade between two jurisdictions. It is mutual recognition[17]. Each party is free to establish its own rules and standards but accepts the other party's products if they achieve equivalent standards. If one party believes the other party's rules go beyond what is required to achieve the same standard of health or safety – the test is scientific evidence not legal conformity with the dominant party's laws.

One advantage of mutual recognition is that it gives each country an incentive to adopt rules which achieve a given standard at the least cost in time and money to both state and trader.

Mutual recognition is the normal basis for most trade agreements –

17. See the powerful Response to House of Lords Call for Evidence on UK EU Dynamic Alignment by Competere Foundation, Shanker Singham

including those negotiated by the EU (except for those with countries it considers to be in the ante- room for membership of the EU).

SPS Agreement

The first step in dynamic alignment is the proposed SPS agreement covering agri-foods -the only sector promised in Labour's manifesto.

This is a sector where EU border checks and restrictions imposed on UK exports since we left the EU have been most onerous – causing delays, uncertainty and compliance costs, especially damaging for fresh produce.

Nonetheless, this is an odd choice of sector since **Britain already has an SPS agreement embracing the EU** which forbids unnecessary border checks on agri-food products where SPS standards of the exporting country are equivalent to those of the importer. It is called '*The WTO Agreement on the Application of Sanitary and Phytosanitary Measures*'.

Ministers never mention this SPS Agreement, either through ignorance or embarrassment. If it was adhered to, the Reset SPS agreement would be unnecessary.

This Agreement – to which the EU is a party - says: "*SPS measures shall not be applied in a manner which would constitute a disguised restriction on international trade*". Its Article 4 specifies: "*Members shall accept the sanitary or phytosanitary measures of other Members as equivalent, even if these measures differ from their own … if its measures achieve the importing Member's appropriate level of sanitary or phytosanitary protection.*"

Yet even though Britain's regulations remain identical in many areas - including dairy, fish, eggs and red meat - the EU now subjects 100% of its imports of these products from Britain to paper-work checks and 30% to physical checks at the border.

By contrast, New Zealand reached a Veterinary Agreement with the EU which is in line with the WTO SPS Agreement and based on equivalence not alignment. It subjects only 2% of NZ animal products to physical inspection.

It is strange that this British government of International Lawyers is so unconcerned about this flagrant contravention of international law. Before negotiating a new SPS agreement, why not first insist that the EU abide by this existing legally binding treaty?

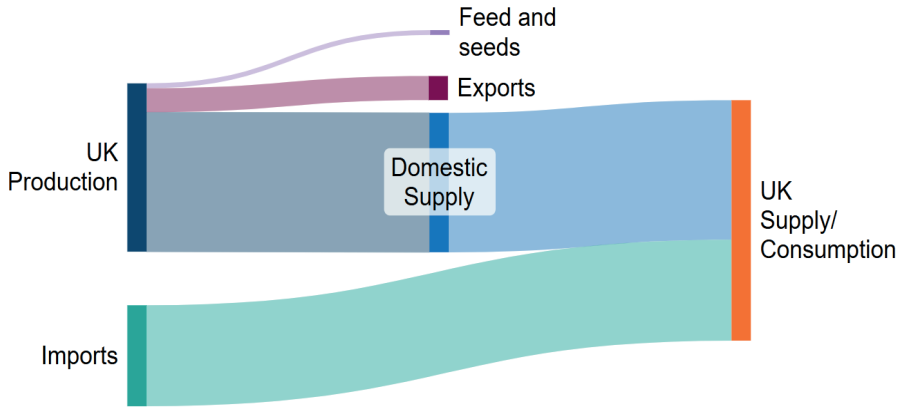
Both this government and its Conservative predecessor seem to have taken the view that there is no hope of getting the EU to comply with the WTO SPS treaty in our case. The EU still feels it necessary to make an example of us to demonstrate to member states that there are costs to leaving the EU.

Also, the EU incurs more complaints about SPS matters in the WTO than any other member and when it has lost cases simply refuses to comply. In any case, the WTO Appellate Body has not been functioning in recent years[18].

18. The USA under successive Presidents of both parties has blocked the appointment of Appellate judges. However, to sidestep this a group of WTO member states set up the Multi-Party Interim Appeal Arbitration Arrangement (MPIA) which the UK joined last year. An appeal could be made to MPIA – though there is no reason to suppose the EU will be more compliant with its rulings than previously.

Even accepting that pessimistic analysis of the legal position, few would have selected food exports as an engine of growth to revive the UK economy! The Gross Value Added by UK agriculture and fishing contributed just 0.6% of UK GVA in 2024. Moreover, as Figure 1 shows, food exports account for only a tiny fraction of our food production which itself is insufficient to supply our food consumption. So our food imports far exceed our exports. We only produce 62 % of all the food we consume and only 75% of 'indigenous' foodstuffs (i.e. produce which can be grown in our climate).

Figure 1: UK Food Production, Exports, Imports and Overall Supply



Source: DEFRA Food Statistics in your pocket Feb 2026: Values at farm gate prices.

Of food exports above, 62% are to EU; 58% of food imports above come from the EU.

Any increase in exports would therefore reduce supplies to the domestic market, increasing the need for imports – unless we can increase total food production. Unfortunately, many of the options for increasing agri-food output and yields are threatened by the Reset itself. This may seem surprising since foodstuffs that we export to the EU must already conform to EU standards. But the SPS agreement will dynamically apply EU rules to the whole of our agri-foods industry – not just exporters. And the vast majority of farmers and most food processors do not export their produce.

Moreover, the rules applying to UK domestic food production have diverged from those of the EU in far more respects than is generally realised. This is partly as a result of changes made by the UK since Brexit but mainly because the EU has introduced a mass of new legislation since we left.

The British government has already issued a daunting list[19] of 42 EU regulations and 34 Directives covering 18 areas "*as being in scope of the agreement. Businesses may need to take action to comply with these requirements. … This will of course necessitate varying levels of change across sectors, with some affected more than others*".

The Orwellian introduction to this document says: "*To cut red tape and*

19. DEFRA 9th March 2026 https://www.gov.uk/government/news/uk-eu-sps-agreement-legislation-in-scope

costs for importing and exporting with the EU the UK will align with EU Sanitary and Phytosanitary (SPS) legislation; food and feed safety; and broader nutrition-related areas such as food supplements, fortified foods, food for specific groups, nutrition and health claims, and nutrition labelling; wider agrifood rules related to food labelling, organics, key agri-food marketing standards and compositional standards; as well as regulation of pesticides and biocides."

This has since been supplemented by a further list of EU legislation applying just to organic products and farming[20]. This helpfully suggests: "*You may wish to read current EU organics regulations*[21]" - a 4,250 word document listing briefly the main contents of 34 relevant EU regulations!

Far from "*cutting red tape and costs*" these changes will impose more red tape and compliance costs on the thousands of farms and firms who do not trade with the EU[22]. In addition, there are increases in production costs affecting exporters and non-exporters alike. For example: "*The increase in the minimum percentage of on-farm produced feed (or regional) for pigs and poultry is from 20% to 30%, and changes from 60% to 70% for all other livestock*"[23].

Most worrying, some of the terms of the proposed SPS will go further and preclude potential increases in productivity which would be essential if the UK is to see the net increase in exports which the Reset is supposed to achieve.

For example, it will:

- prevent an increase in our take of fish from UK waters.
- stop precision breeding (gene editing)[24] and use of gene modified crops,
- outlaw plant protection products necessary in our damp, warm climate,
- rule out Bovine tubercular vaccination,
- make organic egg production impossible.

These problems and their costs are evaluated below.

Costs and Benefits of the Reset SPS deal

The Government gave an estimate (produced by special advisors, not by officials, the OBR or ONS) that an SPS agreement would be worth £9 billion to the UK economy by 2040. This was deliberately misleading – conveying the impression that ***annual*** GDP would be £9 billion higher by that date[25]. In fact, it refers to the cumulative addition to GDP over that 15-year period. So, they predict that annual GDP would on average be £600 million higher each year over this period[26].

The EU refused to open negotiations on the Reset unless the UK first agreed unconditionally not to increase the UK share of fish from UK waters over the next 12 years. The government supinely signed up to this demand, so we are now committed to this even if all other aspects of the Reset negotiations come to nothing. The Fishing industry estimates that this concession alone will cost them £500 million per annum in lost earnings.

20. DEFRA 28TH May 2026 https://www.gov.uk/government/publications/sps-agreement-preparing-your-business/organics-sectors-preparing-your-business
21. https://agriculture.ec.europa.eu/farming/organic-farming/legislation_en
22. https://britain-unbound.org/articles/catherine-mcbride-talks-dynamic-alignment/
23. Ibid.
24. The government expresses the hope that it will be able to negotiate an exception – but the EU rarely agrees to anything other than temporary exceptions.
25. "*Package will ... add nearly £9 billion to the UK economy by 2040*" Prime Minister's Office 19th May 2025.
26. A DEFRA *News Story: British businesses cheer UK-EU deal to support food trade and profits* 29th August 2025 claimed that the long-term impact of the UK SPS Agreement will be to increase UK GDP by "*up to £5.1 billion per year*". This top end estimate is very slightly more than their central estimate of £4.8 billion for the long-term impact of the UK-India FTA on annual GDP.

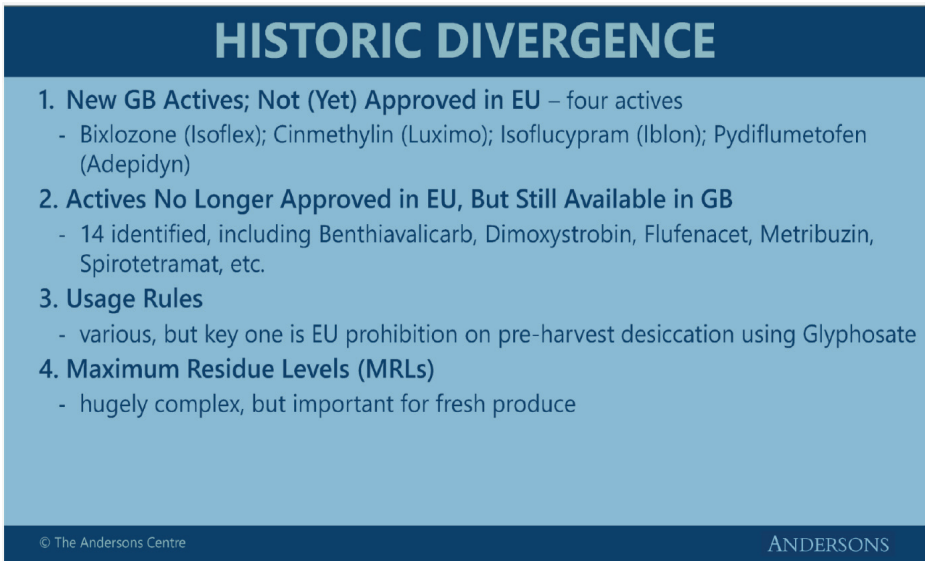
Most British SPS rules remain identical to those of the EU, but not all. Britain has sensibly diverged from the EU in a number of ways, for example:

a. By legalising precision breeding[27] which will let our farmers use gene-edited crops, notably varieties bred with resistance to insects, reducing insecticide usage. The NFU stated: "*This is a very significant and positive development since the UK left the EU, with the potential to bring new crop varieties to market here that would benefit farmers, consumers and the environment*".

British research institutes[28] are world leaders in gene-technology research.

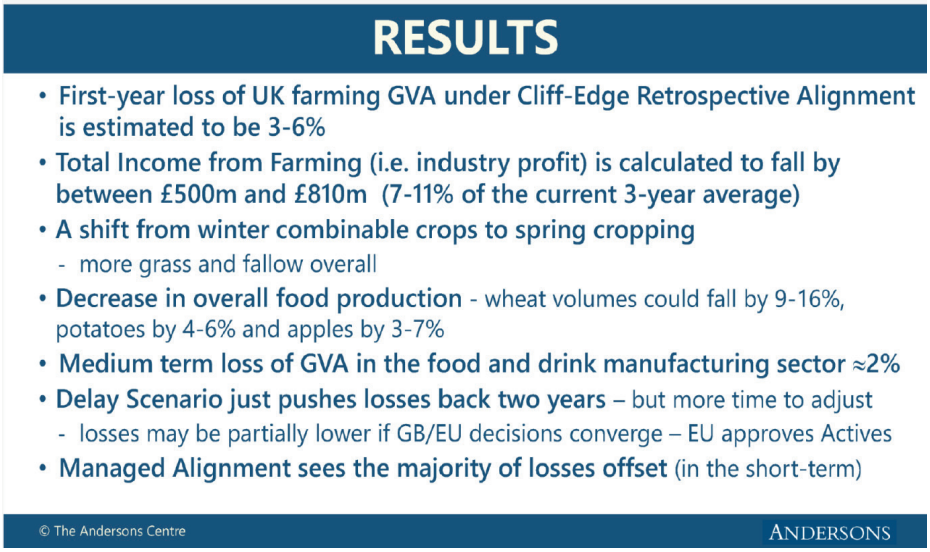
b. Britain has authorised a number of new plant protection products for a range of plants, whereas the EU has not yet authorised these products but has effectively banned use of previously permitted protective products in thousands of combinations of products and produce which British officials deem safe for consumers and necessary for cultivation in our damp, warm climate.

A study by Andersons Consulting calculates that alignment with EU rules on this alone would cost farmers between £500 million and £810 million pa.



27. Genetic Technology (Precision Breeding) Act 2023 and The Genetic Technologies (Precision Breeding) Regulations 2025 which came into force in November 2025.

28. Notably Rothamsted Research, Harpenden in my old constituency.



c. EU legislation prohibits the use of bovine tuberculosis vaccines. Bovine TB costs around £100 million every year with an estimated further £50 million cost to the wider farming industry. Over 60,000 cattle in England and Wales were slaughtered during 2023/24 to tackle the disease. The UK is at the forefront of developing an effective TB cattle vaccine. Completion of the final field trials is imminent[29].

d. Changes in EU rules on organic farming since Brexit will negatively affect UK organic poultry farmers. British rules currently allow the use of non-organically reared pullets up to 18 weeks of age for organic egg production. Latest EU rules require the pullets to be hatched and reared organically. However, there are no fully organic commercial pullet rearing facilities in GB[30].

The NFU, once supportive of EU membership, has now expressed serious concerns about the proposed Reset for these and other reasons[31].

The estimated costs of dynamic alignment on just one aspect of the SPS – the use of plant protective products (£500m - £810m) plus the Fisheries concession (£500m) exceed the Government's estimate of annual benefits of alignment (£640m).

The most prominent benefit claimed by the government was "*the removal of Export Health Certificates, saving businesses up to £200 per consignment each time goods are sent*"[32]. Plant health certificates likewise cost around £25 and Certificates of Inspection for organic products can cost over £120 per consignment. Nick Thomas Symonds says these 'paperwork taxes' cost the industry £70 million pa[33]. These are not charges made by the EU, but the amounts charged by local authority veterinary officials for these certificates. As Catherine McBride has pointed out, the government could choose to pay all or part of this cost without incurring all the other costs of the Reset[34].

Health Certificates will in any case continue to be required for live animals exported to the EU since they are needed for cross border trade

29. DEFRA 21 October 2025 https://www.gov.uk/government/news/field-trials-for-bovine-tb-cattle-vaccine-and-companion-skin-test-move-to-next-phase

30. *UK-EU SPS negotiations: Organics* NFU 11 March 2026

31. "*Dynamic alignment also risks the British agri-food sector being bound by decisions that do not reflect the specificity of production conditions in GB or the way that the sector is organised here. The UK Government must mitigate this risk by negotiating effective mechanisms to meaningfully shape EU decision making as well as sufficient technical adaptations or exemptions to reflect the specificities of agricultural production in GB*". National Farmers' Union – Written Evidence (DYN0022) - Lords Committee inquiry into Dynamic Alignment.

32. DEFRA 9th March 2026 https://www.gov.uk/government/news/uk-eu-sps-agreement-information-for-businesses

33. Sunday Times 17th March 2026 https://www.thetimes.com/uk/politics/article/brexit-export-health-documents-rachel-reeves-5gbdr2f73

34. https://catherinemcbride.substack.com/p/eu-regulatory-dump-will-not-boost

even within the EU. Since Brexit there has been virtually no trade in live animals between Britain and the EU because of the UK ban on animal transport introduced in response to animal welfare campaigners. However, that ban may have to be lifted as part of the Reset.

Apart from the supposed benefits to UK exporters, the government claims that an SPS deal will reduce costs to British consumers. But that cost reduction – refraining from applying reciprocal checks and delays on imports of EU produce – was achieved unilaterally between 2020 and 2024. The British government chose not to play tit for tat by imposing unnecessary SPS checks on imports from the EU. It could revert to the policy.

When that policy was abandoned in 2024 the Conservative government claimed that: "*Our robust analysis has shown they* [introducing SPS checks on EU produce] *will have minimal impact on food prices and consumers, with just a* 0.2 *percentage point increase on food prices over the next three years*"[35]. The removal of such checks will presumably reduce food prices by only 0.2%. Every little helps! But this is tiny and could be achieved unilaterally without other costs imposed by the Reset.

The reason given by the last government for finally introducing border health checks on agri-food imports from the EU in 2024 was concern about the threat of Foot and Mouth disease and African Swine Fever spreading from the continent. Recently, the UK government has banned even personal imports of any meat or dairy products from the continent. It is strange that in the discussion of the SPS – described as "*creating a Common Sanitary and Phyto-Sanitary Area*" – the issue of whether it will protect or threaten animal and plant health in the UK has barely been discussed. The presumption has been that EU standards are superior to ours so we will be protected without the need for border controls. This has been discredited in a meticulous catalogue of the serious and persistent animal health problems within the EU[36].

The government's commitment to achieving an SPS agreement clearly transcends considerations of cost or animal well-being. Once again, "hope triumphs over experience"!

But why are the EU now willing to lift the checks and paperwork on imports of agrifoods from the UK? They refused to do so by complying with the WTO SPS Agreement nor was it included in the Trade and Cooperation Agreement.

An SPS agreement is vastly more in the interests of the EU than of the UK. The EU runs a massive bilateral surplus in trade in agri-foods. EU exports of agri-foods to the UK (£40.8 billion in 2024) are nearly four times UK agri-food exports to them (£10.7 billion). The UK is by far their most important market taking nearly a quarter of all EU agri-food exports.

The EU's primary interest is to maintain *privileged* access for continental farmers to the UK market. The proposed SPS agreement will not just remove checks on their goods entering the UK – it will oblige the UK to retain and continuously update the obstacles the EU puts in the way of imports from more competitive producers world-wide.

35. Defra blogs 26th April 2024

36. *Dragging the UK back into EU SPS regulations* by Catherine McBride https://catherinemcbride.substack.com

It is rarely mentioned that dynamic alignment with the EU's SPS rules does not eliminate EU border controls – it simply moves where they will take place. Instead of applying those controls on trade between the UK and the EU they will have to take place at our border with the rest of the world. This is tacitly acknowledged, albeit deeply buried in government documents, which admit "*Checks on imports from the rest of the world will remain and* ***UK check rates will align with those applied by the EU***"[37].

This will at very least impede imports and at worst (from the UK perspective) prevent us reaching free trade agreements with countries which are food exporters. It will also be incompatible with our obligations under the Trans Pacific Partnership and our trade agreements with Australia, New Zealand and Japan[38].

That means that, rather than reducing the cost of imported food, the Reset will lock Britain into buying from high cost, less efficient Continental producers.

37. https://www.gov.uk/government/news/uk-eu-sps-agreement-legislation-in-scope. The document references the relevant EU Legislation which will apply - Regulation (EU) 2017/625 - Official controls across food, feed, plant & animal law.

38. Response to House of Lords Call for Evidence on UK EU Dynamic Alignment by Competere Foundation, Shanker Singham.

Joining EU Electricity Market

I can find no mention by British ministers or officials prior to the Reset negotiations of the need to improve electricity trading with the EU - still less any suggestion we should join the EU electricity market. This was certainly not one of the British asks when they sought a reset with the European Union.

The first reference to it comes in the Common Understanding of May 2025. This is summarised in the Explainer as follows: "*we will explore UK participation in the EU's electricity trading platforms. Since we left the EU we have traded electricity inefficiently, adding costs and friction. Participating in EU platforms will streamline electricity trading: this is crucial to reducing the cost of electricity across the UK and EU and developing new renewables in the north seas. It's good for bills, jobs, and net zero.*"[39]

Subsequently the EU amplified further its negotiating position. It goes far further than simply seeking a technical solution to a technical problem - with potentially major consequences. The EU is insisting that:

- UK must set a target for the share of renewable energy in Britain's total final consumption of energy.[40] The target must be "*comparable to that of the EU to ensure a level playing field*".[41] The EU's target is currently 42.5% by 2030 with aspirations to increase it to 45%. Note: this is not the share of renewables generation just from electricity, which might at least be relevant. It includes all energy usage in transport, heating, industrial processes etc. Electricity usage is only a fifth of total energy consumption. The UK has a (probably unachievable) target to generate at least 95% of our electricity from low carbon sources by 2030 – five years earlier than the equivalent EU target. But we have no target for renewables as a share of total energy consumption. In 2024 renewables provided just 16.4% of UK gross energy consumption (as against 25.2% in the EU). Most forecasts suggest that on present policies our renewable share is unlikely to do much more than double by 2030. That is even if we stick to our target of 95% low carbon for electricity generation by 2030 and Net Zero for all carbon emissions by 2050. There is considerable political pressure to relax those probably unachievable and unaffordable targets.

There is no logical reason for an agreement supposedly intended to resolve technical issues in electricity trading to include such a target for the whole of energy usage.

39. Policy Paper UK-EU Summit – Explainer Cabinet Office - Updated 22 December 2025

40. It is astonishing that this extraordinary commitment was almost universally ignored until highlighted by Lord Moynihan of Chelsea, Lords Hansard 14th May 2026

41. "*The envisaged agreement should also ensure the dynamic alignment of the laws of the United Kingdom with the rules of the Union on the promotion of renewable energy and provide for their simultaneous application in the United Kingdom. It should set an indicative global target for the share of renewable energy in the gross final consumption of energy in the United Kingdom. To ensure a level playing field, the global target should be comparable to that of the Union and based on the definitions, requirements and methodologies set by the Union acquis. In setting the target, due regard should be paid to the United Kingdom's Climate Change Act 2008 obligations and Nationally Determined Contributions. The sectoral sub-targets in transport, buildings, heating and cooling and industry sectors should fall outside the scope of the Electricity Agreement.*" Recommendation for a Council Decision COM(2025) 804 Brussels, 22.12.2025

- The UK "*ensures … at least the same level of environmental protection in law as set out in the relevant European Union rules … insofar as they are relevant for the electricity sector.*"[42] The cost of building future generating and transmission capacity in the UK is already rendered excessively high by environmental legislation, some of it inherited from the EU, which this government had been considering altering to make it less costly and time wasting.
- The UK "*applies … the same substantive and procedural State aid rules as the rules of the European Union … covering any aid that … has a particular material effect on the electricity market.*"[43] The Labour government may find it loses the ability to subsidise the energy sector to offset the policies which have given the UK the highest electricity prices in Europe.

These obligations go far beyond anything required to resolve the possibly genuine technical problems related to trading electricity. There can be no reason from a British perspective to reduce our constitutional freedom and flexibility to set our own targets, environmental laws and subsidy arrangements for renewables or other electricity generation.

When the cross-channel cables linking British and continental electricity systems were built it was hoped that they would enable both sides to benefit by evening out peaks and troughs of demand and supply. In particular, it was assumed that if the wind was not blowing in the UK it would be on the continent and vice versa. So, each side would not need to install quite as much capacity to cope with variations. Unfortunately, it turns out that weather systems often cover most of the British Isles and continent at the same time. So, there is little or no saving in the need to install capacity. In practice, since the UK has forged ahead in developing (intermittent) wind power we have become reliant on EU supplies to meet domestic shortfalls when our supply is low and demand high.

The British government, having been persuaded by EU negotiators to include the electricity market in the Reset, now claims that "*streamline*[d] *electricity trading … is crucial to reducing the cost of electricity across the UK and EU*". The EU's documents make no such claim. It is not immediately obvious how it can make electricity prices lower on both sides of the Channel. Electricity normally flows across the interconnectors from the lower priced market to the higher priced market. It thus (slightly) reduces the price in the higher priced market and raises it in the lower[44]. The UK's electricity prices are normally higher which is why we are net importers. According to Ofgem "*Interconnectors are no longer expected to predominantly be a source of cheap electricity … but … will become a way of providing flexibility and enhancing security of supply in a renewables-dominated energy system.*"[45]

The UK has become a huge net importer of continental electricity. In 2024 UK imported 43.8 TWh and exported just 10.4 TWh. This leaves us highly vulnerable since the EU has no obligation to export electricity to us if it has no surplus when we need it. This vulnerability is not the fault of the EU. It is a self-inflicted wound resulting from the Net Zero obsession which until recently dominated Britain's political class. Our governing

42. *"In addition, the agreement should provide that the United Kingdom ensures, dynamically and at all times, at least the same level of environmental protection in law as set out in the relevant European Union rules on the protection of the environment. This should be ensured with respect to each obligation and each right in those European Union rules, insofar as they are relevant for the electricity sector. The United Kingdom should be able to determine how to achieve this result. The agreement should ensure that the United Kingdom maintains the possibility to adopt measures which provide a higher level of environmental protection."* Recommendation for a Council Decision COM(2025) 804 Brussels, 22.12.2025

43. *"Furthermore, the agreement should ensure that the United Kingdom applies, at all times, State aid rules covering any aid that specifically targets the electricity sector or has a particular material effect on the electricity market, including existing aid but not affecting the validity of aid already granted to individual beneficiaries, for example in the form of legally binding commitments pre-dating the entry into force of the agreement. The agreement should guarantee that there are the same substantive and procedural State aid rules as the rules of the European Union. This should include providing for their dynamic alignment with Union law, giving due regard to the constitutional and parliamentary procedures of the United Kingdom."* Recommendation for a Council Decision COM(2025) 804 Brussels, 22.12.2025

44. As a result, Norway which is a large exporter has found its domestic prices driven up and is considering not replacing the interconnector with Germany and taking powers to curb exports or impose an export tax. See Kathryn Porter - Interconnectors and their Impact on the GB Electricity Market The Global Warming Policy Foundation - for the definitive analysis of the role of interconnectors.

45. Ofgem: Interconnector Policy Review (https://www.ofgem.gov.uk/decision/interconnectorpolicy-review-decision).

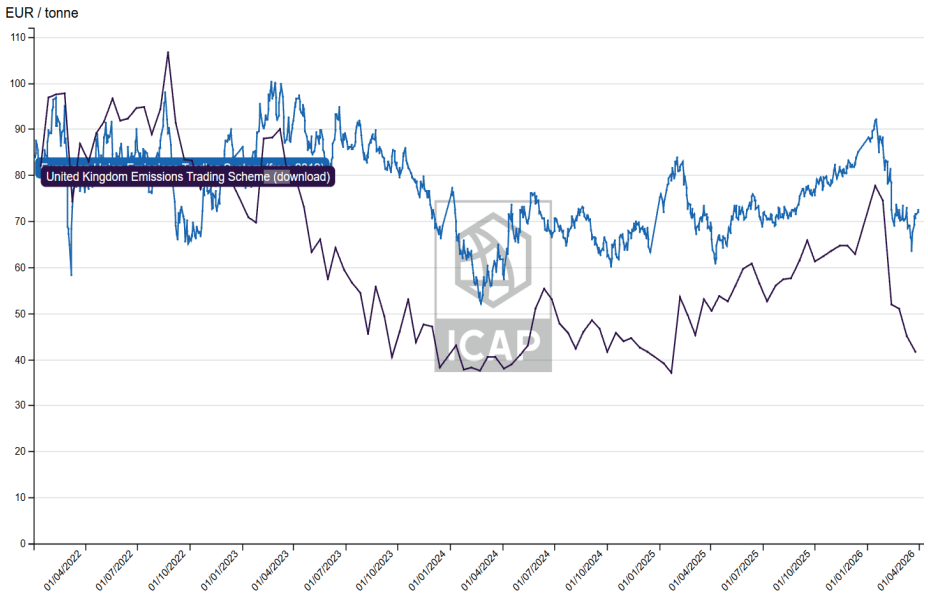
class was happy to import from the continent because carbon emissions produced in generating its electricity do not count against Britain's Net Zero target. Although Norway's hydropower and France's nuclear are low carbon, "*The Netherlands interconnector essentially involved the outsourcing of emissions, since a planned coal-fired power station at the GB end of the cable (Kingsnorth D) was cancelled in favour of the interconnector, and a new coal-fired power plant (MPP3) opened in the Netherlands instead.*"[46]

Carbon Trading: ETS and CBAM

Both the UK and the EU operate Emissions Trading Schemes (ETS). These restrict emissions of CO_2 by setting an annual cap on the emissions allowed by certain sectors. The cap diminishes over time. The government issues allowances equal to the annual cap, most of which it sells at auction though it allocates some free to certain energy intensive industries. Firms must acquire emission permits equal to their CO_2 emissions every year. The price of these permits is set in the market creating a market price for emitting CO_2. The number of permits issued is set to decline to reduce emissions thereby driving up their price[47].

The Reset would involve linking Britain's ETS system to that of the EU.

For most of the time the UK ETS has been in operation, the price of the UK ETS has been below that of the EU ETS. Linking the two schemes would equalise the ETS prices. This would increase the costs of British firms within the ETS scheme and of firms which incorporate their products.



The British government received an average of £2.5 billion a year over the last three years from sale of these allowances. This is the cost they impose on UK industry.

The cost of these emissions makes domestic companies less competitive with overseas firms based in countries which do not have an equivalent

46. Kathryn Porter, Interconnectors and their Impact on the GB Electricity Market The Global Warming Policy Foundation

47. https://www.euronews.com/my-europe/2026/05/28/brussels-faces-backlash-over-carbon-trading-system-as-production-costs-soar

scheme. The EU has therefore introduced, as from this year, a Carbon Border Adjustment Mechanism which imposes a tariff on imports of certain carbon intensive goods. The tariff equals the CO_2 emitted in producing that product times the EU ETS cost (less the similar carbon price, if any, levied by the source country). The UK has also legislated to create a similar CBAM scheme beginning in 2027.

The idea of a CBAM is superficially plausible. But it only acts as a protective tariff against imports. It does not restore the competitiveness of companies exporting to the rest of the world. It also undermines the competitiveness of companies which process or incorporate imported inputs that bear the CBAM tariff.

There is a practical problem in calculating the carbon emissions incurred in producing imported goods. The EU is therefore initially just applying the CBAM to half a dozen basic inputs - iron and steel, aluminium, cement, fertilisers, hydrogen and electricity. The UK scheme is targeted on the same products but initially excludes electricity. CBAM is levied only on these materials in their basic form – not on the iron, steel, aluminium etc content of imported manufactured products.

The Reset would involve linking Britain's ETS system to that of the EU and mirroring the EU's CBAM tariffs.

Britain's trade in goods covered by the CBAM schemes is small and we are net importers of nearly every item.

UK trade with EU in goods covered by the EU CBAM in 2024

Product	UK Exports to EU	UK Imports from EU
Iron and Steel	£4.8 bn	£4.5 bn
Aluminium	£1.2 bn	£2.5 bn
Cement	£0.05 bn	£0.2 bn
Fertilisers	£0.1 bn	£0.6 bn
Hydrogen	Negligible	Negligible
Electricity*	£0.6 bn	£2.9 bn

**** The UK currently levies a Carbon Price Support tax on fossil fuel inputs for electricity generation, but this will be abolished from April 2028. Electricity will initially be excluded from the UK CBAM scheme presumably to avoid double taxation.***

The decision to slavishly copy the EU list of products subject to CBAM verges on the masochistic. UK production of most of these products is negligible whereas the EU does still produce them. So, we are simply protecting EU primary producers – but at the same time raising the cost of inputs of our manufacturing and agriculture.

Fertilisers are a particularly egregious example[48]. The UK now only produces 30% of the fertilisers we use and that depends on imported basic inputs like ammonia,[49] production of which largely ceased in the UK in 2023. Applying CBAM tariffs will make remaining fertiliser production

48. *Protecting EU Suppliers not UK Consumers* Catherine McBride from Catherine McBride's Substack 8th June 2026

49. Ammonia, as well being an input to fertiliser production, is counted in the category "Fertilisers" subject to CBAM tariffs. We import most of it from the USA.

more expensive and increase the cost of both domestically produced and imported fertilisers to the detriment of our farmers.

The government has claimed that merging our CBAM scheme with that of the EU will save UK exporters roughly £800 million in potential EU CBAM payments by 2030. This is somewhat misleading. It is not £800 million pa but spread over five years – averaging £160 million pa. Moreover, the EU CBAM scheme levies the difference between the EU carbon tax an imported good would have borne if produced in the EU (the cost of the ETS) and the carbon taxes levied by the exporting country. So, if we do not merge our ETS and CBAM schemes a UK firm exporting, say, steel to the EU would have to pay the difference between the UK and EU ETS prices on emissions released when producing that steel. But if the schemes merge, the UK ETS price will rise to equal that of the EU. There will then be no CBAM to pay because the producer will already have borne the higher carbon cost within the UK.

The one difference will be that if the UK scheme remains separate UK exporters to the EU incurring the CBAM charge would pay the £160 million pa to the EU. Whereas, if the schemes merge, the British government will receive the £160 million in the form of higher ETS cost borne by our exporters. In addition, the UK government will receive the higher ETS payments by domestic producers on their output not exported to the EU. That extra tax revenue is the counterpart of the extra costs imposed on British industry by merging these schemes.

Since 2024 the UK government has received £2.5 billion pa from auctioning ETS Allowances. During that period the average price of EU ETS Allowances has been 43% higher than those of the UK. The annual cost of Allowances borne by industry and received by the UK government would therefore be £1.1 billion higher if the UK ETS price rises to the EU level.

Once again, the EU benefits more from UK participation in their scheme than does the UK. Again, the EU expects the UK to pay towards its administrative costs – even though linking the two schemes will remove the need to calculate the carbon intensity of imports from the UK.

The EU also insists that the UK dynamically align its ETS and CBAM with future changes in the EU's rules. The UK would therefore not be able to abandon or postpone the pursuit of net zero or pursue it by different means without a legislative rupture with the EU. Yet the underlying problems of international competitiveness which the CBAM seeks partially to offset arise from the UK's self-imposed Net Zero commitment and can only be genuinely tackled by abandoning it.

Youth Mobility

Even prior to joining the European Community in 1973, it was not difficult to travel, study and work on the Continent. I did an apprenticeship in a French laboratory before going to Cambridge; my sister studied at a French university and then taught at another; schoolmates did holiday jobs in the Netherlands; my next-door neighbour, after leaving school, worked as a secretary in Paris and married a Frenchman.

The EU elevated free movement of people to one of the Four Freedoms of the single market (the others being free movement of goods, services and capital). Countries joining the single market are therefore required to accept free movement of people to and from the EU.

The Labour manifesto promised "*no return to the single market … or freedom of movement*". The government's rather strange decision unilaterally to shadow the single market from outside by dynamically aligning with EU laws as the norm (not just in the SPS, Electricity and Energy sectors) may be pointless in that it does not simplify access to the single market for trade. However, since it avoids joining the single market, it does not carry any obligation to accept free movement.

Unfortunately, the EU argues that the proposed SPS, Electricity and ETS/CBAM agreements will amount to participation in limited sectors of the single market. EU doctrine therefore requires the reintroduction of free movement at least in proportion to that renewed UK participation in its single market. The EU's initial demand was to reinstate the rights of free movement on the previous terms at least for 'young people'.

This represents a major challenge to Labour's pledge of no return to free movement. The massive net inflow – most of whom were young people - which Britain experienced under free movement after Tony Blair opened our borders to citizens of the new member states was a significant factor in the referendum result and the loss of Red Wall seats in 2019[50].

This is potentially an even more explosive issue now. For the first time, youth unemployment at 16.1% in the UK is higher than on the Continent. The combination of higher minimum wages, increased national insurance charges for young employees, premature employment rights, and the impact of AI on job prospects - means the difficulties for young Britons seeking jobs can only increase. It would be toxic to be seen to add to those problems by allowing a net inflow of young people from the Continent to compete for those jobs.

The government has nonetheless felt forced to bow to the EU demand for a youth mobility scheme in principle. It has resorted to various devices to obscure what is involved and mitigate its impact.

50. When the UK left the EU there were thought to be about 3.5 million EU citizens living in the UK. Following our departure, they were required to register to retain the right to stay and it emerged that the true number was nearer 6 million. Only 1.2 million Brits had moved to live in the EU at the time of Brexit.

First, references to youth mobility and free movement have been dropped. It is now referred to as a "*youth experience scheme … creating new opportunities for cultural exchange between the UK and the EU*"[51].

Second, the plan is equated to Britain's existing youth mobility schemes with the old Dominions – Australia, Canada and New Zealand[52] – "*The UK has been clear that any scheme should be in line with the UK's existing schemes … including no access to benefits and no right to bring dependents*" and "*any scheme will be time limited*"[53] [i.e. the time a young person is allowed to stay in the UK or EU will be limited, probably to 2 or 3 years]. Even though young Europeans will have to return under the proposed scheme, a net inflow would result in a one-off increase in net migration. In addition, a proportion will in practice be able to convert their visas to remain longer term.

Third, it is asserted that since far more young Brits go to Australia, Canada and New Zealand[54] - than their young people come here, the same will be true under the proposed scheme with the EU. When asked "*How do you know there will be fewer people coming here than leaving?*" Jonathan Reynolds, then Business and Trade Secretary, told the BBC[55]: "*Well, I've got 13 schemes in action already and that's the evidence of them … I tell you the evidence of the current schemes … is that they're a net negative on immigration.*" This verges on the preposterous. The best evidence of whether there will be a net inflow of young Europeans is what happened last time free movement with the EU was possible. The truth is that young British people prefer to go to Anglophone countries rather than to the Continent. This doubtless reflects a (deplorable but undeniable) British lack of interest and skills in foreign languages. By contrast, given the chance, young Europeans flock to the UK to learn English – the international lingua franca – and to take advantage of Britain's flexible labour market and excellent universities.

Fourth, the government has been seeking a cap on the numbers coming to the UK under the proposed scheme and claims agreement that "*the overall number of participants must be acceptable to both sides*". However, the EU has resisted the idea of a cap in principle. There is a cap on numbers entitled to enter the UK under work/travel visas from each of the old Dominions and similar schemes though numbers have never been sufficient to activate those caps.

51. UK-EU Summit – Explainer, Cabinet Office
52. The UK has similar schemes, on a far smaller scale, with Japan, Andorra, Iceland, Monaco, San Marino, South Korea, Uruguay, Hong Kong, and Taiwan plus a 'young professionals' scheme for Indian citizens.
53. UK-EU Summit – Explainer, Cabinet Office
54. In 2024 68,500 work/travel visas were issued for Brits to go to Australia, Canada and New Zealand versus 17,100 visas for their young people to come here. A further 7,300 visas were issued to young people to work/travel in the UK from countries with which the UK has similar schemes (see Footnote 52 above). Figures for the numbers of Brits reciprocally going to those countries are not available but are undoubtedly small, confirming the British preference for Anglophone countries.
55. BBC Radio 4 Today Programme 19th May [2hrs 21mins]

Students, Erasmus and Turing

While Britain was in the single market, EU students at UK universities were entitled pay the same fees and had the same access to student loans as UK nationals[56]. It has inevitably proved far harder to enforce repayment of those loans once the students returned to their home countries. Total outstanding loans to EU students amount to £5.8 billion.

Since Brexit, EU students at UK universities have to pay the higher overseas student tuition fee. They no longer have access to official student loans (unless they have been resident in the UK for more than three years[57]).

The EU has been demanding that EU students again be given access to domestic level tuition fees and UK student loans. British Universities calculate that that would cost them £140 million pa in lost fees. Given the growing concern about the onerous repayment terms UK students face on their loans, it would be hard for the government to justify diverting public money which could help alleviate those terms, to subsidise EU students instead.

The other aspect of youth mobility in the Reset is the Erasmus+ scheme. This programme covers predominantly students but also trainees and staff on short term exchanges.

Until 2020, Britain participated in the Erasmus+ programme. During the negotiations following the withdrawal agreement, Britain discussed continued participation in Erasmus which already involves non-EU states - Iceland, Liechtenstein, Norway, North Macedonia, Serbia and Turkey. However, Switzerland is not a participant following a Swiss referendum vote to limit immigration which violated its free movement agreement with the EU. It is not clear whether UK participation in Erasmus also presupposes future adoption by the UK of adherence to free movement with the EU.

In the event, the last government decided in December 2020 to decline the option to remain in Erasmus on the grounds that it was not a cost-effective way of giving British students the opportunity to study briefly abroad.

The last full year before Brexit and Covid, Erasmus resulted in some 30,501 EU students coming to the UK but only 17,100 UK students going to Europe. Yet over the last Erasmus programme period (2014-2020) when we were members, Britain contributed (as part of our share of the EU budget) some £1.8 billion to Erasmus+ but less than £1 billion was returned in support for travel and accommodation for British students studying abroad. Moreover, incoming students paid their

56. Scottish students at Scottish universities did not have to pay tuition fees – a privilege extended to EU students at Scottish Universities but not to students from the rest of the UK!

57. Thanks to the Case of R (Tigere) v Secretary of State for Business, Innovation and Skills (Supreme Court, July 2015) which, interpreting the ECHR, removed the additional need for indefinite leave to remain.

national university fees (if any) to their home university. Neither they, nor Erasmus, paid UK universities towards tuition costs. It was assumed that the marginal cost of teaching an extra visiting student was negligible.

It is hard to fault the overall conclusion that the scheme did not represent value for money for British taxpayers, students or universities: we paid in nearly twice as much as we got back; it financed nearly twice as many EU students to come here as British students who used the scheme to go to the continent - all without contributing to their tuition costs at British universities.

However, the current government announced in the Common Understanding its intention to "*work towards association with Erasmus subject to agreement on cost*". In the last full year of our participation the UK budgetary contribution was some £290 million. The government has now reached agreement to pay £570 million for 2027. This is twice the previous cost, and substantially more than the terms offered to and rejected as bad value by Lord Frost during the withdrawal negotiations. The Labour government presents this as "*a 30% discount*". But that is relative to the amount that Britain will be required to contribute annually for the subsequent septennial programme, implying it will cost us £810 million pa in future years.

After rejecting renewed membership of Erasmus, the last government set up the Turing scheme. This is not restricted to European destinations and gives UK students the option of studying in 150 countries worldwide. It only subsidises UK students studying abroad. It does not involve paying foreign universities to send students to study here – though foreign governments are welcome to arrange directly with British universities for their own students to do short study trips here. The annual budget of the Turing scheme was just £110 million, financing some 40,000 UK student visits abroad annually.

The current government is to close the Turing scheme following agreement to rejoin Erasmus. The government's decision to rejoin Erasmus and scrap the Turing scheme is not so much another triumph of hope over experience as of dogma over data and political prejudice over students' revealed preferences.

Britain's financial contributions to the EU

The government must have known that the EU has always insisted that participation in the freedoms of the single market does not come free. Yet the government's 'Explainer'[58] of the Common Understanding reached with the EU on the Reset makes no mention of the EU's expectation that the UK will make financial contributions to the EU.

One of the indisputable benefits of leaving the EU is that the British taxpayer no longer has to pay substantial sums into the EU. In our last year of membership, the gross contribution was £17 billion – which after sums which returned to the UK to fund programmes in the UK – left a net contribution of £12.6 billion[59]. Given the subsequent increase in the EU budget, the UK net contribution would have risen to £17 billion. It is unsurprising that the government does not draw attention to the prospect of resuming such payments in proportion to our re-involvement with the single market.

It is almost unknown for any party to a trade agreement to have to pay the other party for mutually removing obstacles to trade – because trade benefits both parties. There are over 380 trade agreements registered with the WTO almost none of which involve such payments. The sole exceptions are agreements between the EU and four neighbouring countries. All their governments decided to join the European Economic Area as a first step to joining the EU but were thwarted by voters in referenda[60]. The EEA agreement involved member states contributing to the EU cohesion fund – in preparation for the same obligation which would have been incurred by full membership of the EU. The rationale of such budgetary contributions is to help reduce economic and social disparities particularly with the former communist states.

EU negotiators now expect the UK to make three kinds of contributions to the EU budget as the price of the Reset:

- a contribution to the EU social cohesion fund,
- payments for supposed 'administrative costs' incurred by the EU in each area of participation, and
- specific contributions to join programmes like Erasmus and SAFE.

On 13 November 2025, the Council and the Commission adopted a statement[61] on securing a financial contribution from the United Kingdom. This stated that: "*should any agreement be concluded that provides for the participation of*

58. UK-EU Summit – Explainer, Cabinet Office

59. *The UK's contribution to the EU budget* House of Commons Library June, 2022

60. The EEA agreement between the then 12 EU members and 7 EFTA states was signed in 1992 and came into force in 1994. It was designed to be the waiting room for those preparing for full membership of the EU. However, Swiss voters rejected EEA membership in 1992 but subsequently negotiated EEA-like arrangements with the EU which include Switzerland making social cohesion payments directly to new EU member states. Norwegian voters, having rejected EU membership in 1972 did so again in 1994 having already joined the EEA the previous year together with fellow EFTA members Iceland and (in 1975) Liechtenstein.

61. https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52025PC0804

the United Kingdom in parts of the Union's internal market, they will reflect on the appropriate level of financial contribution towards reducing economic and social disparities between the regions of the Union that would reflect the level of the United Kingdom's participation in the Union's internal market".

This means the UK would be using money, which could be used to level up the UK, to level up the EU! As Lord Kerr of Kinlochard – normally an apologist for the EU - said in the debate on these negotiations:

> *"We also suffer from a degree of timidity in what we are putting forward, and the other side suffers from a bit of excessive ambition. I do not think we should be paying contributions into the EU budget, that it is right to try to charge us €10 billion to join SAFE, or that it is right to try to charge us for integration into the EU electricity market. These things are a common benefit—they suit both sides—so why should we pay?"*[62].

These are not the only financial contributions demanded by the EU – their negotiators envisage a fee for each aspect of the Reset, for example:

- The EU insist that the SPS deal, "*should provide for an appropriate financial contribution from the United Kingdom to support the relevant costs associated with the European Union's work in this policy area*". In other words, we must pay the EU's '*relevant costs*' - for ceasing to carry out checks on UK exports. It is not clear how **not** checking goods can involve extra costs. If it does, given that the EU exports four times as much food to us as we do to it, surely the EU should pay us for not checking its food?
- On CBAM - the carbon border adjustment mechanism - the EU again insists that we pay its additional costs, despite the agreement eliminating calculation and charging for the carbon content of imports. This, too, mainly benefits the EU since we produce few carbon-intensive goods, thanks to our crippling net-zero energy costs, which this agreement will exacerbate.
- Erasmus – discussed above – will cost us £570 million rising to £810 million – on benefits which disproportionately go to EU students.
- SAFE is discussed below. The EU demanded a one-off fee (initially €10 billion reduced to €2 billion) for the right for British companies to bid for contracts even though member states make no such contribution.

There is no reason in principle or in normal international practice why the UK should pay for "*common benefits – which suit both sides*" let alone for schemes from which the EU gains the greater benefit.

62. Hansard 26th February 2026, Link

Does Trump make the Reset a price worth paying?

The original case for the Reset was that 'getting closer to the EU' would magically revive Britain's economic growth. That was never plausible. But the case has been bolstered by the argument that 'America under Trump can no longer be relied upon so we must get closer to the EU'.

The first part of that argument is true. Trump is increasingly and alarmingly wayward, is more sympathetic to dictators than democracies, openly threatens to leave NATO, and cannot be relied upon to defend Britain, Europe or the West. The one beneficial consequence of Trump is that he is forcing this country and our European neighbours to wake up to the need to be able to defend themselves. Whoever might be President, it was never wise to rely on America taking up arms to protect us if we are attacked and sheer folly to run down our defences.

But the assumption that because Trump has revealed the imprudence of relying on American protection, we therefore need to adopt European legislation, open our borders to free movement or pay large sums into the EU exchequer – is a complete non-sequitur. Even our supine reliance on American power did not require us to behave like the 51st state of the USA. Nor does strengthening our defensive capacity alongside our European and other non-American NATO allies require us to behave like the 28th member of the EU.

It is a paradox that, although Ministers now justify the Reset on the basis of this geo-strategic defence argument, even this Labour government found the one defence related proposal in the original Reset package unacceptable. This was the idea that the UK should participate in the EU's Security Action for Europe (SAFE) scheme.

SAFE involves the EU borrowing €150 billion (on its collective credit rating which secures better terms than can most member states). It then relends to member states to finance additional defence spending, subject to a strong role for EU based companies and high EU content.

The EU offered the UK a form of involvement which would have allowed British companies to participate in a subordinate role in procurement projects financed by SAFE loans (not to the loans themselves). However, the EU reportedly demanded that the UK pay a huge fee – initially said to be €10billion, subsequently reduced to €2billion - for this participation, with no guarantee that British firms would win commensurate contracts. This has rightly been rejected.

Two other NATO members - Canada and Norway – have also been

discussing involvement. Given their much smaller defence industries, the requirement that their firms play minor roles in any EU procurement is less of a problem. The 'fee' required is far smaller – reportedly €250mn for Canada – though it is not certain that any benefits to the Canadian defence sector will outweigh this cost.

The EU's priority – at France's strong insistence - is to build a specifically EU defence manufacturing capacity rather than to ensure that, together with other non-American NATO allies, they can acquire the best possible weaponry from this wider group.

So how should Britain adapt to the impact of Trump on NATO and the Western Alliance?

We should be ruthlessly realistic. We must recognise that Britain is at best a medium sized power. We could not hope to defeat one of the world's super-powers. But we could make the cost of conquest by any enemy intolerable even without resort to nuclear weapons. Ukraine - a smaller, poorer, geographically more vulnerable country than the UK – has held Russia at bay for four years. Had Putin realised the immense costs he would incur he would almost certainly not have invaded. Likewise, little Finland managed to hold the USSR at bay in the Winter War of 1939/40.

We should of course build alliances. But they should be based on mutual interest with States facing common potential threats. We should not base alliances on the hope that we will be protected for sentimental reasons or as a reward for past favours. Britain's almost obsequious reliance on the US has been based largely on self-delusion at least since the collapse of the Soviet Union. During the Cold War, when the US saw itself challenged by Soviet Communism seeking world dominion, it was more reasonable to assume America would take up arms in our defence if the USSR attacked us and/or Western Europe. But that is no longer the case.

We forget that the USA, though providing invaluable supplies, did not enter the fighting in the First World War until German U-boats sank its shipping nor in the Second World War until Japan attacked Pearl Harbor. Even the much cited, but rarely quoted, Article 5 of the NATO Treaty only commits each member – in the event of an armed attack on another NATO member – "*to assist the Party so attacked by taking … such action* ***as it deems necessary****, including the use of armed force*"[63].

Likewise, we should not imagine that, however 'close' or subservient we are to the EU, they would automatically use armed force to defend us should we be attacked. In any case, geography means that a resurgent Russia is much more likely to attack its Baltic or Central European neighbours than the UK. Consequently, their need for an alliance with the UK is greater than ours with them. The idea that we need to buy their support or pay for the right to participate in mutual defence preparations is absurd.

As far as trade relations are concerned, however unreliable President Trump's tariff policies may seem, we do not have to choose between trading with the EU and the US. We should seek to maximise both. One

63. Article 5 *"The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all and consequently they agree that, if such an armed attack occurs, each of them, in exercise of the right of individual or collective self-defence recognized by Article 51 of the Charter of the United Nations, will assist the Party or Parties so attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area.*

of Sir Keir Starmer's successes has been to shield the UK from the threat of US tariffs and open up the prospect of a deeper UK-US trade agreement[64]. Dynamic alignment risks £11 billion in UK pharmaceutical exports facing immediate tariff reversion (up to 100%) and forecloses the multi-billion upside from the US Economic Prosperity Deal. Yet dynamic alignment with the EU yields nothing additional to the Trade and Cooperation Agreement (which is the closest trade agreement the EU has negotiated with any state outside the European Economic Area).

64. https://assets.publishing.service.gov.uk/media/6855877f76eec44bf9d71dab/update-on-uk-us-economic-prosperity-deal.pdf

Do alleged costs of leaving the EU justify rejoining the single market?

For some, it is axiomatic that Brexit has been an economic disaster, the cause of all our economic problems since we left, therefore we must return albeit by stealth.

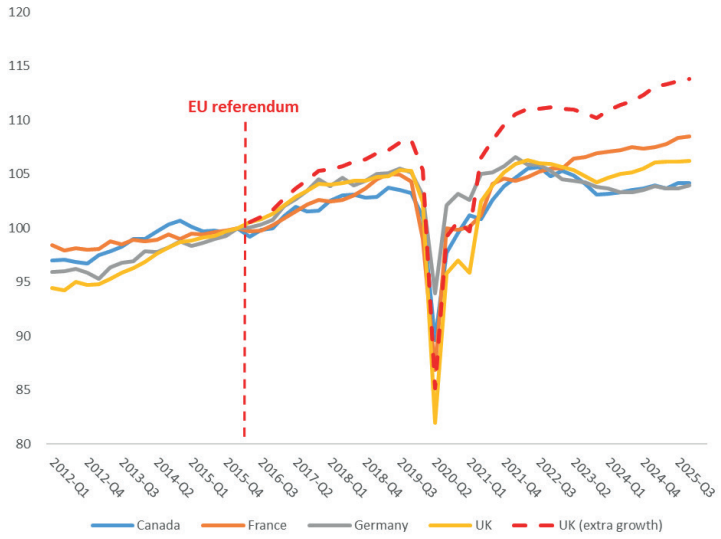
That now seems to be the government's approach as expressed in the Chancellor's recent Mais lecture. "*Brexit did deep damage*" she asserted. From which she deduces, without any reference to how single market membership worked out for our exporters during the 28 years we were members, that we should "*align with European regulation … in further areas of the single market … The prize is considerable. Costs of doing business reduced for UK and EU companies; New opportunities to export, to each other's markets*".

Her assertion that Brexit did deep damage hinges on her reference to a non-peer reviewed working paper[65] purporting to show that Brexit's "*GDP impacts could be as high as eight per cent*"[66]. This study has been eagerly seized upon by those who want to believe its conclusion. But no-one could take it seriously who has looked at the UK's actual performance since Brexit, compared with similar economies.

Chart 1 shows GDP per head – the measure used in the Stanford study. Both the UK and, even more so, Canada have seen substantial immigration during this period which depresses this measure somewhat. But since Brexit the UK GDP/head has still grown significantly faster than Germany or Canada and only a bit slower than France (slightly faster than France in terms of GDP).

65. *The Economic Impact of Brexit* Bloom et al. Stanford Institute for Economic Policy Research Working Paper No 25-37 November 2025

66. Mais Lecture 2026



The Red dashed line shows how much faster the Stanford study assumes the UK "should" have grown but for Brexit. Is that credible? No explanation is given of why this hypothetical burst of growth – far outperforming our neighbours - would have happened in the UK, but for Brexit. Why was no-one forecasting pre-Brexit that the UK was set to outstrip its neighbours like this?

A more balanced analysis[67] points out: given that the single market was primarily about goods and scarcely affected services which are 80% of the UK economy – it is implausible to suggest that the impact of leaving could amount to 8% of our entire GDP.

How did the authors of this study reach such an implausible conclusion? They asked their computer to create a "doppelganger" – a combination of countries, fluctuations in whose aggregate GDP were similar to those of the UK prior to Brexit. That doppelganger was dominated by the USA. They then assumed that the only factor which caused the UK to deviate from this American dominated bunch of countries post Brexit was Brexit itself. Not diverging energy prices. Not America's booming technology sector. Not different responses to Covid or the Ukraine war. Not Trump's huge fiscal expansion. Not the run-down of major British export industries like North Sea oil and gas and its knock-on effect on refineries, chemicals, fertilisers etc. Not whatever factors caused our neighbouring countries to grow more slowly than the US over the last decade. Indeed, they do not even mention, let alone explain why, countries like France, Germany, Canada (indeed, the whole Euro-zone) have also fallen short of American growth since Brexit – still less mention that British GDP has grown faster than most of those countries.

The nearest they come to doing so is a reference to the fact that their model gives its lowest estimate of the Brexit impact on Britain if the doppelganger included countries weighted by their distance from the UK: "*which places a heavy weight on large Northern European countries that experienced slow growth post 2016. In part this could have been due to Brexit spillovers.*" In short, they

67. *UK, European Economies and Brexit* Warwick-Lightfoot.substack.com

think Brexit was a significant factor causing the economies of France and Germany – not to mention Canada – to grow more slowly than Britain's and that whatever other factors depressed these countries' growth did not affect the UK.

Although this contentious study is deployed wholesale by critics of Brexit, little mention is made of the other aspect of the study – the report of a panel of companies on the impact of the Brexit process on their business. The main impact was the prolonged uncertainty during the four-year withdrawal process. This, not surprisingly, caused investment and innovation to be paused. Those findings are very credible even if the quantification of their experience is as contestable as that of the 'doppelganger' calculation. However great the loss caused by that prolonged uncertainty it is clear that there is no way of reversing it. Indeed, any attempt to rejoin might repeat that period of uncertainty adding a further unnecessary loss of GDP. Needless to say, this is never mentioned by those who helped prolong the withdrawal process or who advocate rejoining.

Confirmation bias is a powerful factor. This document is seized upon by those who had believed Treasury forecasts during the referendum that leaving the EU would bring immediate disaster[68]. True, the predicted disasters of rising unemployment, declining GDP, lower wages, rising inflation and falling house prices failed to materialise. This study enables those who convinced themselves those things would happen, to believe that, even though they didn't, Britain still somehow lost out on 8% growth in GDP per head. This literally incredible study is all the Chancellor could cite to justify breaking her party's clear promise not to return to the single market.

The simple truth is that membership of the single market failed to boost Britain's exports or GDP and leaving it likewise had less impact than expected – not least because we still trade with the EU without tariffs or quotas. Our growth will depend far more on the policies we adopt domestically than changes to our trading arrangements with the EU or trade deals with other countries.

Trade is not driven primarily by trade deals but by producing goods and services others want to buy, getting out and selling them, above all in fast-growing markets - not submitting to EU rules, regulations and protectionism, which have made Europe the slowest-growing continent in the world, nor by adding our own tax, regulatory and Net Zero burdens.

Sadly, Britain has crushed major exporting sectors – largely because of our Net Zero obsession. North Sea oil and gas production has been deliberately run down and shale gas left unexploited. As a result, a third of our refineries have closed, the chemical industry has been undermined and fertiliser producers shuttered. Energy-using industries like aluminium, steel, ceramics, bricks etc have been crippled by the highest cost electricity in the OECD.

We cannot export what we no longer produce. The obsession with tweaking our trade arrangements with the EU is a displacement activity

68. ***HM Treasury analysis: the immediate economic impact of leaving the EU*** warned that: "*A vote to leave would represent an immediate and profound shock to our economy. That shock would push our economy into a recession* [there was no recession] – *And lead to an increase in unemployment of around 500,000* [unemployment fell to its lowest level for years] – *GDP would be 3.6% smaller,* [it grew as before] - *Average real wages would be lower,* [they grew] - *Inflation higher,* [inflation was little changed] - *Sterling weaker,* [the one correct prediction though it then recovered] - *House prices would be hit* [they rose] - *And public borrowing would rise* [it fell]". HMT 23rd May 2016

for those who will not face up to the damage our domestic policies are inflicting on industry after industry.

The Art of the Bad Deal

How is it that the government has managed to negotiate a Reset of relationships with the EU which:

- in almost every respect benefits the EU more than the UK,
- involves joining elements of the EU single market which the UK didn't seek to join but acquiesced in following demands from the EU,
- in several cases actually makes Britain worse off,
- yet involves the UK paying for the privilege,
- and submitting to EU law now and in future without Parliament being able to reject or even amend it,
- not just in the three areas of the single market in which we will participate,
- but, also, voluntarily - in return for no concessions by the EU and no benefit to UK exporters - dynamically aligning with EU law in all, or nearly all, the other sectors of the market in goods and services,
- and applying it to the 92% of firms who do not trade with the EU at all,
- and accepting an element of free movement for young people,
- and replacing the Turing scheme - which helped British students study in - 150 other countries - by the Erasmus scheme which means we will pay for nearly twice as many EU students to come here and restrict British student' options to the EU,
- all of which is in clear breach of Labour's manifesto pledge "*no return to the single market … or free movement*",
- and ignores our previous experience of membership of the EU during which our goods exports to the EU grew by less than 1% pa while exports to 111 countries with which we had no trade agreement grew four times as much,
- and even if we walk away without completing the Reset will still mean we have surrendered our right to increase our take of our fish from our waters for 12 years.

Donald Trump boastfully put his name to a book entitled "The Art of the Deal": Keir Starmer can, with greater authenticity, claim to have demonstrated "The Art of the Bad Deal".

But how did the government come to accept – as they have in principle – such a Bad Deal? Inevitably, there are many reasons.

First, believing "the single market is where the magic happens". So, they believe that participation in three sectors and simply mimicking its laws from outside for all or nearly all other sectors will magically boost UK exports and economic growth. As we have seen, the single market was the one aspect of the European project which was supported across the political spectrum and therefore assumed to have been beneficial without anyone questioning it. The government should nonetheless have examined just how beneficial membership had been over our 28-year membership if only to quantify what concessions it might be worthwhile making to rejoin it.

Second, believing their own rhetoric. Disraeli reputedly said the ultimate temptation to which most politicians succumb is believing their own rhetoric. That seems to have happened to the Labour leadership.

In our adversarial system it was perhaps inevitable that Labour politicians should claim that the Trade and Cooperation Agreement[69] with the EU was inferior to what could have been achieved because the wicked Tories antagonised the EU by their (allegedly) belligerent, hostile and intransigent approach. Labour claimed they would do better because they would adopt a more sympathetic, friendly and co-operative approach which, by implication, would elicit beneficial concessions from the EU. This excused them from spelling out in what ways the TCA was deficient and could be improved – without breaking Labour's self-imposed red lines of "*no return to the single market, customs union or free movement*".

It is clear that Ministers have come to believe their own rhetoric – however naïve - that the EU would make or withhold concessions because the UK negotiators were nice or nasty. Unfortunately, this has led to the third weakness of the UK negotiating approach.

Third, belief that offering initial unconditional concessions will evoke subsequent concessions from the other side. The EU said that they would only start to discuss a Reset if the UK first, unilaterally and unconditionally, signed away the right to increase our take of our fish from our waters for 12 years. The British acquiesced – in the hope that this would result in subsequent EU concessions. Needless to say, it has not.

The British decision to dynamically align with all or nearly all sectors of the single market – not just the three sectors where the EU is keen we should participate in their arrangements – is also a sort of loss leader, presumably in the illusory hope of favours to come.

Fourth, basing their approach on abstract metaphors rather than concrete objectives. The very term 'Reset' has no content. The phrase 'getting closer to the EU' is equally meaningless. Such is the shallowness of our political discourse that these meaningless phrases are treated as substantive and rarely challenged by the commentariat. These metaphors shielded the Labour Party from considering concrete ways to achieve their objectives.

Fifth, publicly declaring that securing a Reset – any Reset, of unspecified content – was a Labour government commitment and essential to growth. This gave a clear message to our EU partners that

69. The Withdrawal Agreement which, at the EU's insistence had to be agreed before the TCA could be negotiated, is not relevant since the Labour party are not claiming to renegotiate or 'Reset' any aspects of it. In any case, it was largely negotiated on the British side by Ollie Robbins (for whom Michel Barnier records the warmest personal feelings) acting as Theresa May's personal adviser without reference to the pro-Brexit David Davis.

they could insert any terms they wished into the proposed Reset – no matter how unwanted by the UK or how nationally humiliating. Hence their insistence on UK membership of the EU electricity market – never proposed by the UK side - with dynamic alignment to EU laws, payment for consequent EU policy work, and adherence to demanding targets for emission reductions which have nothing to do with electricity markets. Not to mention demands that the UK must make significant payments to the EU to reduce disparities between EU member states – rather than spending that money on levelling up the UK.

Sixth, failure to prepare a BATNA. A fundamental precondition of successful negotiating is to prepare a 'Best Alternative to No Agreement' – a BATNA. Without it, the government could not walk away from even the most one-sided deal offered by the EU. Once Labour had made securing a Reset a fundamental part of their public strategy it was virtually impossible to formulate a credible BATNA.

Unfortunately, the government had failed to learn the lesson of the Withdrawal Negotiations during which the Burt-Benn amendment deprived the government of the right to walk away from the negotiations without a deal – the 'No Deal' scenario. This rendered it impossible for the government to reopen substantively the appalling Northern Ireland Protocol agreed by the May government or at least to set a time limit on it.

Seventh, absence of experienced negotiators. Previous Labour governments have included people from business or trade unions with real world experience of negotiating. Ernest Bevin was a towering figure in the trade union world and became an internationally respected upholder of British interests as Foreign Secretary. Alan Johnson was former General Secretary of the Union of Communication Workers who brought to government experience of how to make bargains. Others like Denis Healey – beach master at Anzio – had experience forged in war. No member of this government has experience in business or conflict and those who have served in trades unions have mostly worked as graduate wordsmiths.

Eighth, failure to hard-headedly identify the UK's interests ahead of negotiations. Had there been any experienced negotiators in the Cabinet, they would have realised that this is essential. Instead, Ministers seemed to think agreements spring naturally from friendship and good will. In fact, as Palmerston said: "*We have no eternal allies and no perpetual enemies. Only our interests are eternal and perpetual [which] it is our duty to follow*". Of course, a hard-headed assessment of British interests might well make us willing to accept arrangements which benefit the EU more than the UK. Our objective should be to make the British people more prosperous and secure – not to undermine the prosperity and security of our neighbours. But it is hard to believe that a hard-headed assessment of UK interests would lead us unilaterally to impose growth inhibiting EU laws on our entire economy with nothing in return.

Ninth, failure to identify and analyse EU negotiating objectives and practices. Perhaps because of its lack of negotiating experience, the government does not seem to have analysed what the EU would be

seeking in these negotiations[70]. Instead, Ministers simply assumed they would be delighted to go along with whatever Labour ministers – who had all opposed Brexit – asked for. But the EU always seeks, first, whatever will benefit member states and, second, what will advance the European project.

The latter includes ensuring that the UK is seen to have gained as little positive as possible from leaving the EU. This is not out of vindictiveness. They deem it essential in order to discourage any other member state from following Britain's example. So, there can be no question of the UK being allowed to 'cherry pick', for example, by choosing which of the Four Freedoms of the single market we wish to adhere to.

It is important to recognise that the EU is essentially a structure of laws: it has no armed forces; its budget is minimal vis a vis those of the member states; and the primary allegiance of its populations is to their national states. The EU therefore pursues the supremacy of EU law, its coherence and its uniformity across Europe apart from at most temporary divergences. The idea that it would deviate from this approach because UK ministers were polite to them or expressed regret about Brexit or made unsolicited concessions is delusional.

In negotiating a Reset, it was therefore essential from the EU perspective that they only agreed to measures which benefitted member states more than the UK; that nonetheless required the UK to pay for the privilege; and that subjected the UK to EU law.

Hence their reluctance to negotiate seriously most of the other items set out in the Labour manifesto which promised to:

> *"help our touring artists; and secure a mutual recognition agreement for professional qualifications to help open up markets for UK service exporters. Labour will seek an ambitious new UK-EU security pact to strengthen co-operation on the threats we face. We will rebuild relationships with key European allies, including France and Germany, through increased defence and security co-operation".*

All these items could be of mutual benefit, but the benefit to the UK would arguably be greater than to the EU. Thus, EU audiences would benefit from easing the bureaucratic obstacles faced by touring artists from the UK. But it would do nothing for Continental artists since the UK already allows easy access for touring artists from Europe. EU negotiators saw little incentive to remove obstacles facing UK artists performing on the continent. They may also hope that British artists will be more likely to blame Brexit rather than EU intransigence for their continuing problems.

Likewise, a mutual recognition of professional qualifications, though of benefit to professionals both sides of the Channel, would arguably benefit the UK most because of the strength of our service industries. Close co-operation on defence and security would be particularly beneficial to our European neighbours who are closer to a potential Russian threat than we are. But given the relative strength of UK armed forces and armaments

70. Discovering the EU's objectives is not difficult since they publish their negotiating approach in admirable detail. eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52025PC0408

industry, they have been reluctant to collaborate on equal terms demanding instead a one-sided fee from the UK for mutually beneficial collaboration.

£10.00
ISBN: 978-1-918832-08-2

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