



By: **Ferry Biedermann**

# UK risks further divergence from EU amid looming trade and defence tensions



The looming Trump trade war has once again laid bare the fallacy of a UK-EU rapprochement on the things that really matter. The UK government, while denying that Brexit is the reason it might receive relatively preferential treatment from Washington, is doing everything it can to appease the American administration, risking ever greater divergence from Brussels.

The latest example of this is British Prime Minister, Keir Starmer, saying that the UK's online safety rules and its digital services tax will be on the table in free-trade talks with the US.

This comes at a time when the EU is **expected** to take action against some major American tech companies over violations of its Digital Services and Digital Markets acts.

Although in Brussels too, voices are urging caution so as not to inflame trans-Atlantic relations even further, the tone of Starmer's approach to Trump sets him apart.

Furthering British interest is one thing, but outright grovelling is another. He came perilously close to the latter while addressing a House of Commons committee, where he appeared to adopt US Vice president J. D. Vance's misleading 'free speech' talking points.

Starmer **said**, "we need to have arrangements for a digital tax of some sort, and equally we need to be pioneers of free speech, which we have been for very many years in this country."

## Diverging from the EU

While the issue might be a valid one, it's unlikely it would have been framed quite in this way if it weren't for the British Prime Minister wanting to curry favour with the Trump administration.

It's just one way in which the UK is only further diverging from the EU, both in practice and in tone. This can have grave consequences for a range of issues.

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Not sharing a joint approach to Trump's for now paused but still threatened tariffs might make sense for post-Brexit Britain, but it bodes ill for any UK-EU rapprochement, not only on trade but also defence.

How to deal with a hegemonic-imperialist Washington that is empowering a revanchist Russia is the main challenge underpinning the renewed European defence drive.

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## A remarkable transition

Not that the EU is united in its approach. Figures such as Viktor Orban, Geert Wilders and especially Giorgia Meloni are also trying to put spanners in the works of the European re-armament and joint defence projects.

Meloni has particularly within the last few weeks been more **reluctant** to support a joint EU front against Trump, not just on defence but also on trade.

Starmer has in the past already shown a surprising willingness for a Labour PM to cozy up to the Italian Prime Minister with neo-fascist roots. He even showed interest in her plans for outsourcing Italy's refugee detentions to Albania, a policy that Italy's courts have now in several instances declared illegal.

**Starmer has stuck to the red lines vis-à-vis the EU**

A former committed remainer, the British PM

has undergone a remarkable transition, refusing to discuss any real realignment with the EU, such as joining the Single Market or the Customs Union.

He has been willing to break Labour's election manifesto on other issues, notably the winter fuel allowance and national insurance contributions. But Starmer has stuck to the red lines vis-à-vis the EU, even though with the Trump tariff threats and the worsening defence and security outlook, there's ample reason to revisit them.

## Conservatives-light

Taken together with a clutch of domestic policies, particularly on benefits that many critics see as reintroducing austerity, Labour is facing being **branded** as Conservatives-light, or worse. Quite possibly, though, this is exactly what its strategists have in mind to head off the threat of the radical-right UK Reform party. This is also in all likelihood the reason for the lack of progress towards a real rapprochement with the EU.

In a sense Brussels should heave a sigh of relief that the UK is no longer in the EU. Never the most cooperative of members, witness the series of opt-outs the UK had pre-Brexit, Britain would have very possibly allied itself with Meloni's Italy in determining the EU's approach to Trump.

As things are, it's clear that Starmer is still angling for a US-UK trade deal, but this seems to be much more of a political imperative than an economic one.

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Such a deal has long been elevated to a kind of Brexiteer holy grail, an example of the benefits that Brexit would bring. In Trump's mere 10

per cent **tariffs** on the UK, compared to 20 per cent on the EU, the pro-Brexit crowd already see a justification for their policies.

But as many British economists point out, UK trade with the US is much smaller than with Europe. The ten percent relative advantage over the EU that the UK might gain in trade with the US pales in comparison to the losses it has incurred from decoupling from the EU.

Any further divergence, for example, due to a UK-US trade deal, would also impose further costs on its trade with the EU.

This is even before the question has been raised of how the UK's vaunted closer defence and security cooperation with the EU will function if the trade relationship becomes ever more belligerent.

## A joint European defence effort

It has always been a pipe dream to think that trade and defence can be completely separated. France and other countries have made clear that, even for a defence and security deal, they'd want the UK to grant EU fishing boats more access to British waters.

The British would be more than justified in feeling somewhat aggravated by such linkage, particularly as EU countries disingenuously portray the quid pro quo as a "trust-building" measure. In reality, it shows how domestic constituencies in the EU also skew larger geopolitical issues, just as in the UK.



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*been blocked from competing for contracts from the EU fund*

More complicated is the subject of access for British defence firms to the new € 150 billion EU defence fund. UK firms, along with those in the US and Turkey, have been **blocked** from competing for contracts from the fund.

In one sense this seriously undermines a joint European defence effort, as Britain has one of Europe's most robust defence industries. On the other hand, if the idea is to reduce European defence dependence on the US, it makes sense to block access to a country that could be increasingly under the sway of Washington.

The British defence sector's ties with the US are already among the deepest. Who can tell what favours the Americans could ask the UK for as part of a trade deal? Especially as Starmer's willingness to compromise in order to reach it appears limitless.

To make matters worse, the UK has been involved in talks for setting up a defence procurement financing mechanism with several of the fiscally more cautious northern European countries. The latter are looking for ways to avoid common EU bonds for defence spending.

While the EU might eventually adopt similar ideas for a kind of re-armament bank, the suggestion that the UK joined discussions separate from the European Commission's initiative could further increase tensions and mistrust.

While both the UK and the EU talk a good game about the need for closer cooperation, particularly on defence and security, neither side seems prepared to take concrete steps to realise this. But at the basis of the inability to move things forward lie Brexit and the UK's red lines.