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# What's at stake for Denmark in the UK election on 4 July?

Denmark hopes for a new phase in EU-UK relations after the election, but optimism is limited. The UK's absence in the EU has made political navigation more complicated for Denmark.

Skrevet af

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## └ Main points

- As a traditional close ally of the UK, Denmark hopes for a new phase in EU-UK relations after the election. But optimism is limited and the level of public attention is waning.
- While Brexit was a significant set-back to Danish interests, economic impacts from Britain's decision to leave the EU were concentrated in a few industries, ex. agriculture and fisheries.
- For Denmark it is the longer-term impact of UK's absence from an EU at a time of upheaval that has had the largest effect.
- From a Danish perspective, there is no question that there is an urgent need for the UK to re-engage in politics in Europe. The question in Copenhagen is: will the next British Prime Minister step up to the task?

# Background

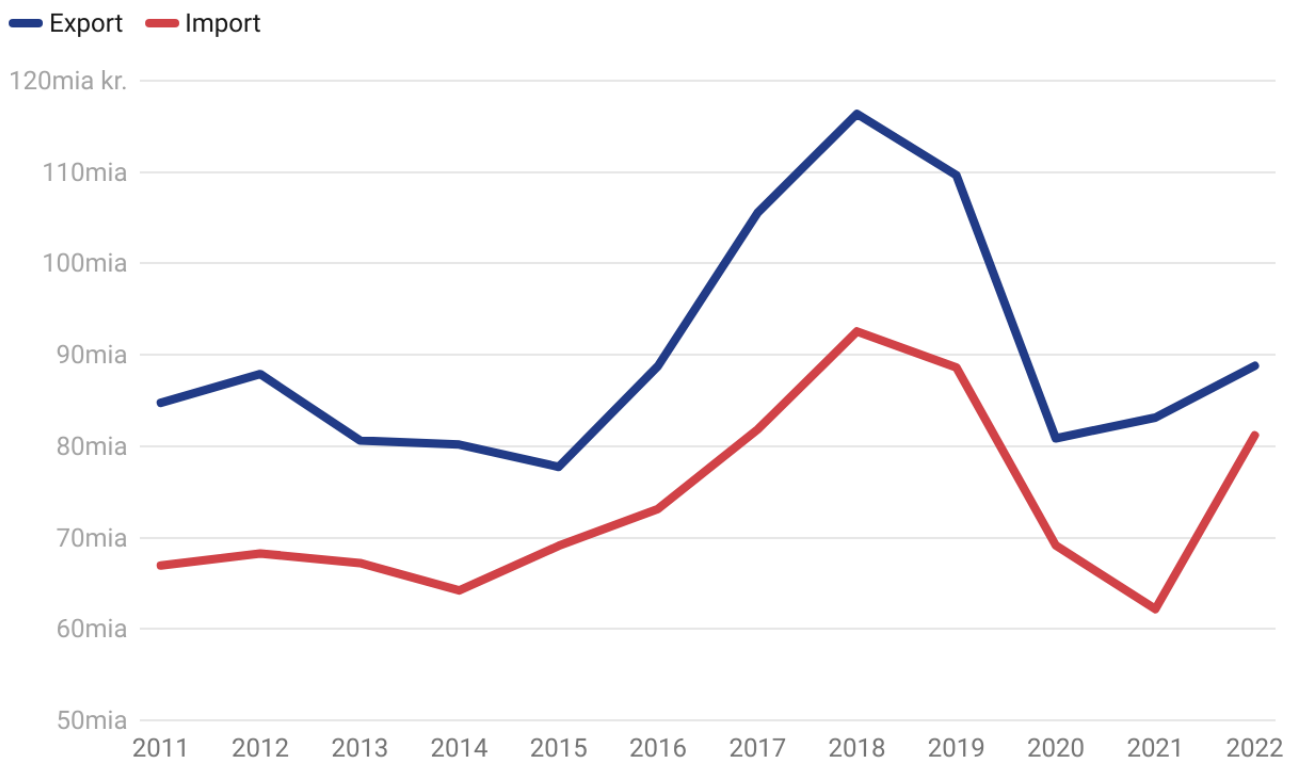
As the UK electoral contest approaches, the EU is in turmoil after elections to the European Parliament and the ensuing disruption in national politics in several member states. France will have parliamentary elections, and time may be running out for the Chancellor of Germany, Olaf Scholz. Combined with the war in Ukraine, the Israel- Palestine conflict present in politics everywhere, and the US possibly heading towards a second Trump administration, a lot is at stake in Europe. At EU level and in national politics, centre parties face challenges across the continent with a shift to the right and in some countries to the far-right.

It is in this light that the Danish government watches the UK election campaign and awaits the result from the British on 4 July. Historically, Denmark has been a close ally of the UK on EU and global matters, and Denmark hopes that a change of the UK government on 4 July will result in a new phase for EU-UK relations post-Brexit and re-commitment in London to Europe. Such an approach would build on the pragmatic path taken by Rishi Sunak as compared his predecessors, as illustrated by his push to resolve the impasse over the Protocol on Northern Ireland in 2023.

Still, no one in Denmark will be holding their breath on 4 July. There is little optimism following the experience of the last five premierships and especially of the Brexit negotiations, which have left relations bruised and expectations low among both diplomats and stakeholders in the private sector. The 2024 elections in the UK will not draw nearly the same level of public attention in Denmark as it did in 2017 and 2019 when political and economic post-Brexit interests of significance for several Danish industries were still being worked out. While figures are currently improving, import and export markets have taken a significant hit due to the new border and rules governing trade (see Figure 1), and many companies in Denmark chose to redirect their sales to continental Europe as a result of the Brexit outcome (Statistics Denmark, 2022)

## Balance of Payments - Denmark

Goods and services traded between Denmark and the United Kingdom, 2011-2022.



Grafik: Tænketanken EUROPA • Kilde: Danmarks Statistik • Lavet med Datawrapper

Yet, the bottom line is that, while Brexit was a significant set-back to Danish interests, economic impacts from Britain's decision to leave the EU were concentrated in a few industries. Agricultural and agribusiness producers and the Danish fishing industry suffered, as did the large logistics sector. But the Danish government made great efforts to prepare and cushion the blow to the industries most affected by managing expectations and providing compensation from Brexit.

The most significant effect of Brexit for Denmark is therefore not the economic consequences it has had for Danish trade, but rather the political and longer-term impact of UK's absence from an EU at a time of upheaval. Denmark must now navigate a very difficult political reality. Danish politicians and diplomats often have to direct their attention to several capitals in order to have influence EU affairs. The connection to Berlin is particularly important. But coalitions and alignments in the EU are never permanent, with decisions formed on an ad-hoc basis rather than more permanent alliances in the European Council as well as in the Council of the European Union.

## Relationship with the EU

Denmark entered the EU at the same time as the UK in 1973 and, similarly to the UK's previous position within the EU, its core interests as a member state have been the single market and geopolitical developments in Europe. These priorities are amplified by the economic and geopolitical challenges of recent years.

Denmark is highly dependent on its European neighbours. Trade with the EU accounts today for 55.5 per cent of Danish exports (87 billion pounds in goods, 51 billion pounds in services) and 66.4 per cent of imports. Britain, by contrast, is Denmark's fourth largest trading partner with 6 per cent of goods exports and 7 per cent of services, mainly in the areas of agriculture/agribusiness, renewable energy technologies, and chemicals (including pharmaceuticals). UK exports to Denmark amounted to 8.6 billion pounds in 2023, with imports at 8.9 billion pounds.

Despite its dependence on the EU economically and politically, Denmark like the UK has historically voiced reservations over the EU's direction of travel. After the rejection of the Maastricht Treaty in a 1992 referendum, Denmark negotiated opt-outs in the core areas of security and defence policy, the Eurozone, and justice and home affairs. However, Eurosceptic voices in Denmark have faded in recent years. In a referendum in 2022 in the aftermath of the Russian invasion of Ukraine, the opt-out in security and defence was overturned, and after Covid and with the current geopolitical challenges that Europe faces, support for EU membership is at a record 88 per cent. Brexit further served to sharpen a common understanding of what actually is at stake if EU membership is denounced. Neither the Danish public nor even Denmark's Eurosceptic parties entertain the idea of leaving the EU.

## **Future ambitions**

Denmark continues to share many interests with the UK, both on the global front and in European matters, and it liaises bilaterally with the UK in various international bodies. Denmark is an active NATO and UN member, with newly minted temporary membership of the UN Security Council, and is militarily present in several international conflict zones at a scale which some consider disproportionate to its population size and geopolitical role in international affairs.

The Danish Prime Minister, Mette Frederiksen, said recently at an event in Copenhagen that it was her great hope that Britain would move closer again to its European partners after the July elections. As Frederiksen's social democratic party suffered a historical blow in elections to the European Parliament, and public opinion is critical of their performance in national politics, the PM would personally welcome

an incoming Labour government in an otherwise centre-right/right-wing dominated Europe. Her diplomats also expressed a hope for a next British prime minister to start a next chapter and restore the UK's reputation for reliability and commitment to Europe.

The Danish government will closely monitor any early signals from the next prime minister on whether further steps can be expected and if the UK will change its position to engage with the EU as a bloc rather than insist on a continuation of the bilateral system which has been in place since the Johnson government. For Denmark it matters greatly for the EU to act as a bloc, and for the UK to acknowledge and engage with Brussels. Nevertheless, Copenhagen knows that it will have to take things as they come, and even in the best scenario both Denmark and the UK will have to take things step-by-step in order to ascertain commitments along the way.

Certainly, the political agenda ahead is packed with issues where interests of the two countries are closely aligned, and where Denmark would greatly welcome the UK's voice and closer collaboration. To name but a few: sustained military and political support to Ukraine, wider defence and security (including on cyber security and new types of warfare, energy security, food, water, environment), internal security and terrorism, climate change and environment, migration, refugees, dealing with Turkey, handling the Middle East, science and technology, and potentially even diplomatic engagement with illiberal politicians and governments in Europe itself. In June 2023 then Foreign Secretary James Cleverly and Danish Foreign Minister Lars Løkke Rasmussen signed a Joint Statement which sets out some of these shared interests and the intention to work closely together to find common solutions – with an emphasis that this must be done ‘... with full respect for Denmark's obligations as an EU Member State’.

Based on this, the Danish government is already looking for details from the UK Shadow Secretary of State for Foreign Affairs, David Lammy, on what a future Labour government's positions might be, with a number of scenarios being considered. An immediate concern for Denmark is the growing pressure for the EU to find financial mechanisms to strengthen its engagement in Ukraine. Denmark is for the first time considering its position on common defence bonds or loans based on frozen Russian assets -- a significant change in the EU financial and budgetary system and a dramatic change in Denmark's position on the use of EU bonds, if it was to go forward, since Denmark is known as one of the so-called frugal countries that include Germany, the Netherlands and the Nordic members worried about the EU federalising its finances. The move reflects the gravity of the situation in Ukraine and Danish

foreign minister Lars Løkke Rasmussen's cautious rhetoric around the issue shows how difficult a dilemma this poses for Denmark. The UK's views on the EU's direction of travel on these matters, as well as its own actions on advancing efforts in Ukraine, will be closely observed and considered in any new policy approaches in Copenhagen. Trade relations with the UK of course also remain important for Danish industries and the Danish government. Agriculture, agribusiness, renewable energy technology, logistics sector, pharmaceuticals, and other large Danish businesses have continued to find ways to trade and collaborate with UK partners post-Brexit, and Denmark hopes that conditions can be further improved with a new Labour government in place.

But to Denmark there is no question about what can be offered to the UK when it comes to trade and the UK's formal association with the EU. Despite its great reliance on, and alignment of interests with the UK both in the past and today, Denmark was an unwavering hardliner during the Brexit negotiations and can be expected to similarly keep a stern line in any renewed agreements with the UK. In short, Denmark wants the EU to keep the UK as close as possible, but vocally insists that single market access requires a 'level playing field' with no exceptions for Britain which could result in unfavourable competition or risk the unity of the EU27. From Denmark's point of view, the risk of undermining the European social and economic model is simply too high, since its own market position and advanced welfare model could be put under threat.

Yet, Denmark is very much in favour of finding solutions and getting the UK closer to its neighbours, and a new British government may find their smaller and diplomatically savvy ally to be a useful player in re-establishing connections with Brussels. Danish Prime Minister Frederiksen has suggested that Denmark may support furthering the status and actual work of the European Political Community (EPC), where the EU27 member states meet with 20 external countries, including the UK, around strategic interests in an informal, unrelated setting to the EU.

From a Danish perspective, there is no question that there is an urgent need for the UK to re-engage in politics in Europe. The question in Copenhagen is: will the next British Prime Minister step up to the task?