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A UK withdrawal from the EU: implications for the USA and transatlantic relations

Summary

- Britain’s relationship with the EU is often seen as one of the key benefits it can offer in the UK-US relationship. Despite talk of an ‘Asian pivot’, Europe – and increasingly the EU – remains crucial to US economic, security and political interests.
- The UK should never lose sight of the US-EU relationship and what British policy towards the EU could mean for this much larger transatlantic relationship.
- A British withdrawal from the EU could have significant implications for both the USA and the EU. The paper outlines the possible implications for the EU of a UK withdrawal, and what this could then mean for the USA’s relationships with the EU and UK.
- For the USA, a UK withdrawal from the EU could be a lose-lose scenario: reducing the geopolitical position of Britain, one of its closest allies; and changing the EU and Europe in ways which could be detrimental to US interests.
- UK policy towards the EU could also have implications for the wider transatlantic relationship. A breakdown in UK-EU relations could undermine or weaken the Transatlantic Trade and Investment Partnership (TTIP). This would be a loss to the UK’s long-standing policy of encouraging closer geopolitical relations between the two sides of the Atlantic. It would also be a loss to US efforts to engage the EU in a wider geopolitical relationship.

About the author

Tim Oliver is a Transatlantic Post-Doctoral Fellow for International Relations and Security (TAPIR). From 2012-2014 the fellowship will see him based at the Stiftung Wissenschaft und Politik (Berlin), the Center for Transatlantic Relations, Johns Hopkins University’s School of Advanced International Studies (Washington D.C.), and the RAND Corporation (Washington D.C.). His fellowship is funded by the Fritz Thyssen Stiftung. He was educated at the University of Liverpool and later received his MSc and PhD from the London School of Economics. His PhD in international relations was taken under the supervision of Professor William Wallace (Lord Wallace of Saltaire). He has taught at the LSE, UCL and prior to his current fellowship spent several years as a Senior Lecturer in the Department of Defence and International Affairs at the Royal Military Academy Sandhurst. Before Sandhurst he spent several years working in the Liberal Democrat Whips’ Office of the House of Lords. He has also worked in the European Parliament, Brussels. His current research includes a focus on the implications for the EU and USA of a UK withdrawal from the EU. The opinions expressed in this evidence are his own and should not be taken as reflecting those of the SAIS Center for Transatlantic Relations or the Fritz Thyssen Stiftung.
Implications for the EU of a UK withdrawal

1. The House of Commons vote rejecting UK involvement in military action in Syria raised a range of concerns in the USA about British isolationism and retreat. Many of these concerns were wide of the mark. The UK-US relationship has endured many periods of crisis, some far more serious than the Syria vote. A vote to leave the EU would not cause an immediate crisis in relations with the USA. But it would change the nature of the UK-US relationship in the longer term.

2. Focusing on the implications for UK-US relations reveals only part of the problem for the USA. A British withdrawal would also change the EU, meaning the USA would have to adapt its relationship with Brussels and the other member states. Therefore to understand the implications for the USA of a British withdrawal, we need to examine how the EU could be changed, and what this could mean for the USA and transatlantic relations.

3. While there is a considerable amount of literature examining the implications for the UK of a withdrawal from the EU, the implications for the EU is a very under researched topic. The following analysis is drawn from research I undertook while writing the study ‘Europe Without Britain: Assessing the impact on the EU of a British withdrawal’, published in September 2013 by the German Institute for International and Security Affairs (SWP).

4. A UK withdrawal would have three sets of inter-connected implications for the EU:

5. First, the EU would have to spend time negotiating a withdrawal with the UK. The timeframe set out in Article 50 – the untested withdrawal clause of the EU’s treaties – is two years, possibly longer if both sides deem it necessary. There is a good chance the withdrawal negotiations will follow failed/rejected negotiations for an alternative relationship for the UK within the EU. These negotiations could have taken between 1-2 years. When added to wider changes in the EU – in particular a possible treaty change to deal with the Eurozone’s problems – the context within which a UK withdrawal could take place would be one of considerable institutional flux and naval-gazing by the EU.

6. Second, the EU’s institutions, voting systems, budgets and policies will need to change in order to fill the gap left by the UK. When these are combined with changes to the Eurozone, a British withdrawal could add to shifts in the EU’s balance of power. Numerous under-researched scenarios exist as to how the EU might change.

i. The most common concern found elsewhere in the EU – and in the USA – about a UK withdrawal is that it could make the EU more inward looking, pushing the EU towards protectionism and away from a more liberal economic order. It could also make the EU more inward looking on security issues. The union would look more towards the Mediterranean instead of the Atlantic. Smaller states could gain over large states. The Franco-German axis could be unsettled, leaving an even more dominant Germany. EU enlargement to states such as Turkey or Ukraine, something already suffering from ‘enlargement fatigue’, could grind to a halt in the face of unease amongst northern and western states at the EU’s centre shifting further south or eastwards. The implications for the Irish Republic would also have to be taken into account.

ii. On the other hand, rid of what many in the EU consider a notoriously ‘awkward partner’ the Eurozone could become the undisputed core of the EU, pushing the EU further towards ‘ever closer union’. Future problems facing the Eurozone could be more easily and directly dealt with. Europe’s social model could be freed of British attempts to weaken it. EU efforts at foreign, security and defence cooperation would lose an important partner. But while the UK is central to such efforts, it has also been central to limiting them. Its removal could act as a spur to EU action in

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these areas, especially if further political union emerged following the Eurozone crisis. The extent to which Britain slows the EU has been put into perspective by the Eurozone’s own struggles to find solidarity and leadership. Nevertheless, with the UK removed from the formal decision making process the EU would be free to develop in ways the UK would be unable to vote against or veto.

7. The third set of implications relate to the EU’s external relations: with the rest of non-EU Europe; with the wider world, including the USA; and the EU-UK relationship.
   i. The wider political and economic framework of relations in Europe could be changed, with implications for the EU’s relations with states such as Norway and Switzerland. If the UK and other non-EU members thrived and the Eurozone continued to struggle, then Britain’s withdrawal could trigger centrifugal forces that lead other member states to question their membership, in turn unravelling the EU. However, this ‘domino theory’ has to be set against the likelihood of another domino effect within the EU should the UK secure a renegotiated relationship granting it special privileges. Other states could then demand concessions, creating a much feared ‘pick and mix’ approach to EU membership. At the same time, if the UK struggles outside the EU then the UK’s appeal would be limited, strengthening the EU’s position. A background concern here is the problems the EU’s enlargement policy has faced with states in central and Eastern Europe. If the UK’s decision appealed to far-right or far-left political parties in these states, then it could add to the problems faced in anchoring these states into a European mainstream.
   ii. The UK and EU will need to think about how the rest of the world might interpret a British withdrawal. Could it be taken as another sign of European division, disunity and weakness? It will mean there will still be no clear answer to “who speaks for Europe?” if the UK and other non-EU European states disagree with the EU. Europe could become more vulnerable to divide and rule by external powers, for example how might Russia interpret the move with regard to states in Eastern Europe? Would France come under more focused pressure to cede/share its permanent UNSC seat with the EU? Implications for the USA are discussed below.
   iii. Finally, Article 50 requires the EU to attempt to negotiate a post-withdrawal relationship with the withdrawing member. Unless some form of relationship were agreed allowing the UK a direct say in internal EU business (something the EU has strongly resisted with all other non-EU European states), then the UK would move from decision maker to a decision taker and decision shaper. Should the EU remain the predominant political and economic organisation in Europe, then the UK will need to pursue close relations with it. The UK is therefore highly likely to put great effort into shaping the EU’s policy agenda, both through lobbying efforts in Brussels, and through efforts directed at individual member states. While we should not overplay the UK’s potential to sow divide and rule to secure its ends, we should also not overestimate the EU’s ability to present a united front to the UK. The EU has struggled to present such a position in relations with the USA, Israel, Russia and others. With the UK, the EU would face a state containing a government, business community and civil society who would have over forty years of experience of EU politics, and a bigger interest in the EU than any other non-EU state.

Implications for US-European relations

8. The USA could face a lose-lose scenario from a British withdrawal from the EU. First, as discussed further below, from the perspective of the USA and other powers, the UK’s geopolitical significance would be significantly reduced. Second, the USA would also face an
EU changed by the UK’s withdrawal, and changed in a way potentially detrimental to US interests.

9. There would no shortage of applicants to fill the position of claiming to be the USA’s closest ally within the EU. While such applicants might struggle to offer a relationship that could claim to be as ‘special’ as that with the UK, for the USA they will be of increased importance thanks to Europe, and the EU, being an area of the world in which it will retain considerable interests. As President Obama made clear in his state visit to the UK in 2011, Europe remains the cornerstone for US global engagement and the greatest catalyst for global action in the world today. Should the UK absent itself from the predominant political and economic organisation in Europe, then it would be disengaging from a partner the USA increasingly looks towards working with.

10. The extra effort the US would put into these other relationships inside the EU, would in part stem from a desire to ensure the EU does not change to the detriment of US interests. This is not to argue the EU with the UK inside has always been congenial to US interests. Nor is it to argue that the UK is the only way the US can exert influence (the ‘American Trojan Horse’ theory). Nor is it to argue the EU must align itself with US interests. But a British withdrawal could add to existing US worries about the EU’s development and capabilities, and how they will impact on the USA and the wider security environment in Europe and its near abroad.

11. A British withdrawal could add to US concerns that Europe lacks the political energy to think about the geostrategic implications of the rise of powers such as China and Brazil. These concerns have been fuelled in recent years by the EU’s focus on its internal problems such as the Eurozone crisis, or before this over the failure to adopt the EU constitution. The USA would not want to see further ‘naval-gazing’ brought on by a British withdrawal.

12. A British withdrawal could also add to a fear Europe will continue to free-ride on a US security guarantee, one primarily provided through NATO. The USA has shown clear frustration at Europe’s inability to deal with security issues in its near-abroad, for example in the Middle East and North Africa. Changes to the configuration of US defence capabilities mean the USA is likely to continue to try and shift some of the burden of dealing with issues in these areas towards Europe.

13. It would be wrong to assume a UK withdrawal from the EU would have no impact on NATO or not weaken it in anyway. The disappearance from the EU of one of its major military powers could further strain efforts at Europe-wide defence cooperation, whether through the EU or NATO. Nobody should cheer the failure of the EU, Europe’s dominant economic and political organisation, to facilitate improved cooperation on defence spending and business. If the EU continues to struggle in this, then Washington may well wonder what hope remains for Europe ever organising itself better on defence – whether through NATO or the EU. If, however, a UK withdrawal opened the way for the EU to organise better on defence, then the USA’s key military ally in the EU will have absented itself from this, necessitating stronger links between the USA and the developing EU defence capability.

14. For the foreseeable future the US will continue to work through NATO or through coalitions of the willing on key issues. But in the longer-term, the United States will likely need a stronger and more coherent European Union to advance common interests in the face of emerging powers. If the Transatlantic Trade and Investment Partnership were successfully negotiated then the centre of gravity in transatlantic relations could shift further from NATO towards the US-EU relationship. From Washington’s perspective, having a pro-American UK in the EU enhances the prospects of the EU being a reliable American partner with whom it can defend and advance common interests.
**Implications for the Transatlantic Trade and Investment Partnership**

15. TTIP has emerged as an important development for all sides in the Atlantic relationship. For the current British government TTIP offers numerous opportunities: it offers the chance to show the EU works for the UK by helping to secure the largest bilateral trade deal in history; it could advance the UK’s long-standing aim of binding the two sides of the Atlantic closer together; it could provide for all sides a much-needed geopolitical framework through which the two core parts of the West can approach the opportunities and challenges of emerging powers; and it could provide much needed export led growth for the UK. The UK plays a central part in TTIP, both economically and geographically. However, Britain’s relationship with the EU presents a series of problems for TTIP’s negotiation and operation.

16. There is a risk TTIP could become caught up in the UK’s attempts to renegotiate its relationship within the EU. The idea the UK could quit the EU is currently a background concern for TTIP, but it is not one that has passed unnoticed. TTIP negotiations aim to conclude by the end of 2014, but they have already run into problems. Negotiations could be delayed further by the 2014 European Parliament elections possibly seeing the election of a parliament more critical of the EU and of TTIP. It also remains to be seen whether bipartisan support can be maintained in the US Congress. In the UK context the possibility of an in-out EU referendum before the widely expected date of 2016/17 (to say nothing of implications from the September 2014 Scottish independence referendum) cannot be ruled out, especially if the 2014 European Parliament elections produce a landslide result for UKIP. If TTIP negotiations were delayed into 2015 then there is the possibility they could become caught up in a British General Election, also occasionally suggested as an earlier date for an in/out referendum. Any delay beyond the middle of 2015 could find TTIP negotiations taking place at the same time as the UK and EU begin attempts at a renegotiated relationship. While a TTIP without the UK would not be impossible – indeed, the USA and EU have warned this could happen – it would be more difficult and a lesser deal if secured. It might also be a more difficult sell to the US Congress.

17. At the same time, a collapse or significant delay of TTIP negotiations caused by one or more of Britain’s EU partners, would fuel calls for the UK to quit the EU. Eurosceptics have long argued the EU holds Britain back from negotiating its own trade deal with the USA. But there’s a twist. TTIP is predicted to weaken Britain’s economic relationship with Europe in favour of its already strong transatlantic economic relations. While other EU states would also experience this, their political commitment to some form of political union is not reflected in the UK where, at least in public debate, the economic dimension has always come first. For British Eurosceptics a weakened UK-EU economic relationship would help ease the way for a UK exit.

18. No doubt a UK outside the EU could secure some form of partnership within TTIP, but what this partnership would be is not clear. Canada’s position could offer one model, but what this might be remains unclear. Nor is it clear the EU would allow the UK anything less than a backseat in TTIP: TTIP will clearly rest on a Washington-Brussels axis.

19. Any discussion of the UK joining NAFTA, or seeing TTIP as a purely trade and investment deal, overlooks the USA’s desire for a wider geopolitical relationship with Europe, and in particular here, the EU. This returns us to US concerns the EU is found to be lacking when it comes to geostrategic thinking. A UK withdrawal that weakens EU efforts to think in a more geostrategic way, or which complicate or undermine TTIP, would only dampen what hopes Washington still has that Europeans – Britain included – can act as effective partners. Any weakening of the links between the two sides of the Atlantic – the core of UK foreign policy – would also be a spectacular home-goal by the UK.
Implications for UK-US relations

20. The vote on Syria raised once again the debate about Britain’s place in the world, its relations with the USA, and whether it can sustain its ambitions to be a global player. But the debate about Britain’s place in the world – including its relationship with the USA – is shaped more than anything else by discussion about Britain’s place in Europe. This is a debate so persistent and divisive because it goes to the heart of British identity, security and political economy. It is on the issue of Europe that rests so much of the question of what country the UK wants to be.

21. For the USA, a decision by the British to answer this question by quitting the EU will leave Washington facing an ally still facing painful dilemmas about its role in the world. Some talk of a vote to quit the EU as the means to assert Britain’s independence as a ‘Switzerland with nukes.’ That those nukes would be carried on US built and serviced missiles shows the limits of that independence. That Switzerland is more bound to the EU than some in the UK like to think, shows the limited thinking about what being ‘out’ of the EU would mean.

22. More importantly, Britain would still struggle to assert its sovereignty in the face of a Europe where the EU is likely to remain the predominant political actor, and a more important actor in the daily lives of the British than any other state or international organisation, including the USA.

23. For the USA, a British withdrawal would lead it to reassess the relative merits to be given to its bilateral relationship with the UK, compared to its much larger multilateral relationship with the EU and its member states. Few in the American foreign policy community would subscribe to the idea the US-UK relationship would be strengthened if the UK were to leave the EU.

24. This does not mean that outside the EU the UK will not remain an important ally of the USA. Economic links will continue to develop, but in the shadow of TTIP or some other US-EU economic relationship. The practical core of any ‘special relationship’ will more than likely remain in nuclear weapons, intelligence sharing and special-forces. British prime ministers will continue the long-standing approach of offering British military contributions to US military operations as a way of securing influence in Washington, in turn securing a continued US defence commitment to the UK. But the UK could find this increasingly difficult in the face of sustained defence cuts. Other options will need to be considered that rely less heavily on a military contribution.

25. It is often overlooked elsewhere in Europe, but also to some extent in the UK, that one of the UK’s aims in pursuing close relations with the USA has been to maintain the USA’s commitment both to Britain and to Europe. Europe and its near-abroad will remain the core of UK security concerns. The UK should not fall into the trap of assuming the USA’s ‘pivot to Asia’ means Europe will no longer matter to the USA, or that the UK can mirror such disinterest. This overlooks the continued interests the USA has in Europe, Washington’s desire to rejuvenate the transatlantic relationship, and its efforts to encourage Europeans to shoulder more of the security responsibilities in Europe’s near-abroad.

The UK must avoid a situation in which a US Administration is forced to choose between a deep and special bilateral relationship with the UK, and a more brittle, but much larger and important relationship with the rest of the EU. From the perspective of Washington the UK and EU are increasingly bound together and should remain so for the health and relevance of the transatlantic relationship. Nor will the USA appreciate being drawn in to play the part of some form of common friend acting as a councillor trying to limit the damage, not least to its own relations with its European allies, from a UK-EU divorce.

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