

THE FUTURE OF EU-UK-US RELATIONS



As I write this in early March 2018, Theresa May has recently laid out more detailed plans for the future UK-EU relationship, reiterating her belief in a “Global Britain which thrives in the world by forging a bold and comprehensive economic partnership with our neighbours in the EU; and reaches out beyond our continent, to trade with nations across the globe.”

On the same day, Donald Trump announced tariffs on steel and aluminium whilst boasting: “trade wars are good, and easy to win”.



The current threats of trade wars not only belie hopes for a “Global Britain”. Both, Brexit and Trump also have wide implications for the EU’s transatlantic relationships. Referring to the US, but also to Brexit-Britain, Angela Merkel remarked last year: “The times in which we can fully count on others are somewhat over ... We Europeans must really take our destiny into our own hands.” And indeed, the double challenges of Brexit and Trump have led the EU to take initiatives that may not have been possible before 2016. This holds in particular for defence and trade policy.

Since the end of World War II, the UK has been a net contributor to Europe’s defence and security in terms of military spending and capabilities. London could use this as a bargaining chip to leverage its demands for access to EU markets. After Brexit, 80 percent of NATO’s defence expenditures will come from non-EU members. “Europe cannot and should not outsource our security and defence,” Jean-Claude Juncker declared in December 2017, while presenting a European Defence Fund with planned investments of 5.5 billion euros per year and a Permanent Structured Cooperation (PESCO) as initial operational steps toward a European Defence Union.

Under PESCO, 25 EU Member States (the UK, Denmark and Malta are not taking part) agreed to choose from a menu of 17 collaborative defence projects (something once known as cherry-picking). The idea of PESCO was already described in Article 42.6 of the 2009 Lisbon Treaty, but it might still be a dead letter without (a) the withdrawal of the UK, which traditionally opposed most moves towards any European defence union that

would duplicate or supersede transatlantic defence structures, and (b) Donald Trump’s fierce insistence on more equitable burden-sharing and his threats to reduce American NATO engagements in Europe.

The issue of trade policy is similar. Until lately, the EU has been relatively unsuccessful in reaching substantial free-trade agreements (FTAs) with the rest of the world. This has mostly stemmed from the difficulty of accommodating the diverse sectoral and ideological interests of 28 sovereign states.

However, and perhaps emboldened by the protectionist tone in Washington and the trade consequences of Brexit, EU Trade Commissioner Cecilia Malmström has recently led successful negotiations with Ukraine, Canada, Japan, Singapore, Malaysia and Vietnam. She intends to add more partners to the list, including the ASEAN and Mercosur countries. Meanwhile, India, Australia, New Zealand, Thailand, Indonesia, Mexico, Egypt, Jordan, Morocco and Tunisia are all at different stages of FTA negotiations with the EU. In addition, a comprehensive investment agreement with China, which would replace the bilateral agreements of individual Member States, has reached the stage of a joint negotiating text.

Meanwhile, with President Trump’s decisions to freeze TTIP talks with the EU, withdraw from the Trans-Pacific Partnership, renegotiate or leave NAFTA, block the World Trade Organization’s dispute settlement system, and impose punitive tariffs, protectionism is returning as a guiding principle in Washington.

This leaves an opening for the EU to take the lead in shaping future world trade standards. Although some of its favourite initiatives (stricter rules and controls on foreign direct investment, social and environmental requirements for traded goods) also smack of protectionism, the U.S. must take most of the blame for scuppering the TTIP, our one great chance to set a shared transatlantic standard for world trade. Based on its “special relationship” with the U.S., the UK has offered itself as the most natural transatlantic bridge between Europe and America. Yet a messy divorce with the EU could lead to more messages being “lost in translation” somewhere in the Atlantic Ocean. At the same time, both Brexit and the Trump presidency seem to have become catalysts for more ambitious EU initiatives in the fields of trade and defence. The economic and geopolitical logic of transatlantic relations, as well as of EU-UK relations, demands upholding strong ties and mutual commitments. Let’s hope for the best.

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