The Impact of Brexit for the GCC and the World

TRENDS
Research & Advisory

Foreword: Understanding Brexit

The UK's referendum vote on leaving the EU has grabbed the headlines and has the world thinking about what may, or may not, happen next. Undoubtedly the UK's decision to leave the EU is a major international episode that will have an impact over the next few years. This impact will be felt most strongly in Europe of course, but there will be ramifications globally. The GCC states are watching the development of events closely as both the EU and the UK have strong connections with the region. The UK's exit offers the GCC states a chance to restructure relations and outlooks with both powers. Overall, we should be looking beyond the uncertainty and identify opportunities that may emerge from this situation.

To contribute to the ongoing conversation, TRENDS asked its Researchers and Non-Resident Fellows to provide their perspective of what Brexit may or may not mean for the globe and the region. As with all of the current commentators, no one has any definitive answers as much remains unknown. What is known is that the vote has forced us to reconsider understandings and predictions on the shape and direction of world order. We hope this contribution is able to aid this reconsideration.

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Dr. Richard Burchill, Director of Research and Engagement

Introduction

On 23 June 2016 the UK held a referendum on the question "Should the United Kingdom remain a member of the European Union or leave the European Union?" The referendum resulted in a 72% turnout of eligible voters with 52 % of the voters choosing "Leave", 48 % voted to "Remain". Following the outcome of the vote there was widespread shock and surprise about the outcome. More importantly, the vote brought to light that there does not appear to be any concrete plans from the Leave side as to what happens next. The combined result, and the lack of a plan for what is next, has led to widespread predictions of doom and gloom for the UK, for Europe and the wider world. It appears in the post vote context just about every economic downturn or global crisis has been attributed to Brexit, or that Brexit is a major contributing factor. Even if many contributor factor to the global economic decline predate the vote, Brexit is continually identified as a cause for negative trends in the world. The Brexit situation is also being held up as evidence of discontent and malaise with forces and institutions seen as related to globalisation. It is intriguing to see how a domestic referendum has been linked to a wide range of unsettling trends in the global system.

Following the vote there is extensive speculation as to what this means for the UK's global position.[1] If the UK leaves the EU, it will have to reconsider its existing position and potentially consider joining a range of new alliances, treaties and other cooperative deals as part of its global position. The referendum is being held up as evidence of societies wanting to bring control back within their own borders, but in today's world that is not a viable option. The forces of globalisation are not spent and while Brexit and other global trends over the past few years suggest more inward looking approaches to global affairs, isolation is not possible. While the UK vote suggests discontent with global institutions to a certain degree, the

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[1] "How Brexit will Change the World", *Politico Magazine*, 25 June 2016, http://www.politico.com/magazine/story/2016/06/brexit-change-europe-britain-us-politics-213990.

aftermath of the vote will demonstrate that global cooperation remains a necessary part of our lives.

What Happened and What Happens Next?

The UK's apparent dissatisfaction with the EU, leading to this referendum, has a long history. Even before the UK formally joined the then European Economic Community, the UK's view on the EU has been - consistently inconsistent. The UK's connection with Europe has a historical legacy of back and forth, friends and foes, benefits and burdens.[2] In recent years the dissatisfaction of the EU has grown through a combination of national political agendas which may or may not represent mainstream belief, the growing frustration over the EU's bureaucracy over a number of issues, which is not unique to the UK, and a manifestation of local polities wanting more and/or better results from their leaders. The UK is far from unique in this situation, but it is the first member state to take action regarding its position in the organisation. The UK vote is part of wider global trends in asserting national interests in a self-centred way in contrast to collective agreement and cooperation.   Even though the international system has evolved to such a degree that cooperation and collective action through international institutions is a necessity, the rhetoric and feelings around the world indicate a desire for a more national, or even sub-national focus on governance.

At the outset, it is useful to set out what the Brexit vote has actually done and make some assertions about the next steps in the process. It may be possible to argue that the Brexit vote was a clear statement of the people of the UK and the UK's departure is inevitable and the will of the people cannot be impeded. However, the domestic situation is much more complicated than even the current government perceives it; and it is far from clear what the

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[2] Ben Wilson, "Britain and the EU: A Long and Rocky Relationship", *BBC News Online*, 1 April 2014, http://www.bbc.com/news/uk-politics-26515129.

next steps are for the UK government. What has been clear since the vote is that nothing is going to happen quickly. In the weeks following the vote it became clear there was no concrete strategy in place for the Government. The EU pointed to the Article 50 provision of the EU treaties where a member state officially declares their desire to leave the organisation, as the next step. However, Article 50 is yet to be invoked, and no one seems to know when it will be. The UK referendum has been and will continue to be a political process, but a political process defined and constrained by legal relationships and processes. There is the potential of creating a major constitutional crisis for the UK even before the Article 50 negotiations begin. And from this, the UK is not going to have a clear path on negotiating its departure from the EU, as the final agreement must be agreed by all EU member states, and then receive approval from the UK Parliament. The process is not going to be easy or quick.

The UK referendum on 23 June was a domestic process that must be understood in the overall context of the UK system of government. The UK does not commonly use the referendum process, with only three referendums ever being held for the UK as a whole and two of those involved the UK's membership to the EU.[3]   The first referendum was held in 1975 to determine if the UK would remain a member of the European Economic Community. The UK had joined the EU's predecessor, the EEC in 1973, but quickly domestic factors contributed to questioning this membership. The 1975 vote confirmed the UK's continued membership with the EU but it did not mollify the UK's ongoing dissatisfaction with its EU membership. The second time the UK used a referendum was in 2011 dealing with the UK's system of voting for representatives to Parliament. And then the Brexit referendum in 2016.

The political culture of the UK has evolved in such a way that referendums are not normally used.[4] The use of referendums is gathering popularity and they have been used in questions about devolution where one of the UK nations uses a referendum to make a decision on the Union. But the idea of referendums as popular politics, where the people are the primary decision makers, is not part of the constitutional foundations of the UK. The political system

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[3] UK Parliament, "Referendums held in the UK", http://www.parliament.uk/get-involved/elections/referendums-held-in-the-uk/.

[4] For an overview see House of Lords, Select Committee on the Constitution, *Referendums in the United Kingdom*, 12th Report of Session 2009-10, HL Paper 99, https://www.publications.parliament.uk/pa/ld200910/ldselect/ldconst/99/99.pdf.

in the UK, with no written constitution, has as its basis in the doctrine and practice of Parliamentary Sovereignty, also known as the Supremacy of Parliament. In this system, the people elect representatives to the Parliament, and it is the representatives collected in Parliament who determine laws and key policies for the national interest. It is intriguing to note how commentators have said "the people have spoken" therefore the vote means the UK must leave the EU. But, in the view taken here, until Parliament decides and then the EU determines on what conditions, the UK will remain in the EU, regardless of what the people have said.

It is necessary to set this out as Parliamentary Sovereignty establishes that it is Parliament who will make the necessary decisions about the UK and such matters are not to be left to the people to directly vote upon, or for the Executive to impose. The Brexit vote will have no binding impact until Parliament explicitly passes a law, or directs the PM to invokes Article 50 of the Treaty on European Union. The Brexit referendum, in contrast to the 2011 referendum on the UK voting system, did not have a mandatory aspect in the enabling legislation requiring Parliament or the government to take action in response to the vote. Given that the members of the House of Commons appear to have supported staying in the EU, the constitutional implications of this vote are going to be profound. The PM has made clear that the UK will exit the EU, regardless, it appears, of what Parliament thinks.   However, the PM appears to

be attempting to overlook UK Parliamentary procedures and foundations that have been in place for hundreds of years.   Parliament will determine when Article 50 is invoked, Parliament will need to approve any decision on the UK's status after the negotiations. The departure from the EU is undoubtedly a political process, but it is a process that must occur within a particular political system that clearly places power with Parliament. Even if the Prime Minister attempts to assert the authority of that office for dealing with matters of foreign affairs, legal challenges are likely to follow. The judiciary is most likely to uphold the Sovereignty of Parliament ensuring Parliament is the primary

decision maker on this process. Any final decision on the negotiations will clearly have to be debated and approved by Parliament as well. The impact of the vote on the internal politics of the UK is going to be felt for many years to come.

While the constitutional system of the UK is likely to face a number of challenges and tensions in determining how the Article 50 process will begin, once it begins the EU system will drive the process. There have been early indicators from within the UK that there is the belief it is possible for the UK to renegotiate its position in the EU, without invoking Article 50. But the UK referendum was about departure and the EU has responded that either Article 50 is triggered or the UK remains in its current position as a full member of the EU. There is little desire from the EU for some sort of in between process which many of the political elite in the UK seem to be suggesting. The UK's membership to the EU cannot be an ongoing political process where status, obligations and rights ebb and flow depending on the national mood. There needs to be legal certainty and the next step in the process will be directed by Article 50 of the EU treaty.

Article 50 of The Treaty on European Union was added in 2007. It was adopted from the Treaty of Lisbon showing prescience on behalf of the drafters as the EU attempted to move forward with greater forms of cooperation and integration. Article 50 (1) provides that "Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements." The UK has begun this part through the referendum and then needs to decide how to notify the EU of its intentions. The intention is notified to the European Council of the EU. From this the EU "shall negotiate and conclude an agreement with that State, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union." The European Council will conclude the agreement with the withdrawing state, through a qualified majority vote and after obtaining the consent of the European Parliament. This agreement will set the date when the EU Treaties no long apply. However, paragraph 3 of Article 50 also provides that if no agreement can be reached, the Treaties will cease to apply two years after the notification to withdraw, unless the Member State and the Council can unanimously decide to extend the negotiation period. Of course, the withdrawing Member State cannot participate in the proceedings of the European Council once Article 50 is invoked. Finally, Article 50 provides

that once a state has withdrawn under Article 50, it must reapply as a brand new candidate for membership as provided for by the treaties.

There is, of course, nothing preventing the UK from making a unilateral withdrawal from the EU Treaties as these are international legal treaties. The EU system has, however, become an integral part of the constitutional make up of the member states making a negotiated withdrawal the only way forward. It is important to note that once the Article 50 process is invoked this is about withdrawal, it is not about renegotiating a position within the EU. The end goal is very clear once Article 50 is in play – the UK will be leaving the EU. This will be an intense political process that could get highly contentious both within the UK and within the EU system. The Article 50 process is about the new relationship between the withdrawing state and the EU. This does not mean the withdrawing state can restructure the EU or demand specific positions within the organisation. It is the EU that will determine the nature of the relationship as the EU system must retain its integrity. Already there are calls for some form of alternative membership, where the benefits of the free trade aspects are retained but freedom of movement and other regulations no longer apply. Such ideas may be innovative, but they are not going to be possible. The EU system has established itself on the basis of a legal framework with established administrative procedures, there is minimal space for picking and choosing.

What happens when negotiations begin is pure guess work. The UK has established cabinet positions for dealing with its withdrawal from the EU, but again it appears there is no real plan as to what comes next. This is the first time Article 50 will have been used, so the EU will also be unfamiliar with how things may progress, even though at this early stage it appears the EU is much better prepared. There is a great deal of potential for the negotiations becoming divisive and being drawn out over an extended period of time. The European Parliament and the European Council will have to approve the deal from the EU's side. Achieving an agreed framework deal that is then approved by institutions within two years appears to be a very ambitious target. Equally, the nature of the final agreement between the UK and the EU is going to bring about a fundamental amendment to the existing treaties, meaning that the remaining individual member states will also have a say.

The two year period set out in Article 50 can be expanded by mutual consent, but it must be asked if it is in anyone's interest to drag this process out. Already it appears the UK will not invoke Article 50 until 2017 and it is the uncertainly of what may or may not come next that is putting pressure on the global system. At the same time, there will be up to two years for the world to adjust and for the various global actors to determine what comes next if the UK departs the EU. Already there are calls within the UK to have another vote on leaving the EU; the constituent nations of the UK, along with the City of London are looking at ways of staying in the EU. While many in the Leave campaign have attempted to claim that a 51% vote to leave the EU was a definitive decision reflecting the desire of the UK society, this claim is tenuous at best, as 49% of the vote, almost half, was for staying in the EU. It appears if a second vote was taken over the next few months, the Remain side would prevail. Despite the recent vote, it is far from inevitable, it appears that Article 50 will be invoked and that the UK will depart the EU.

The lack of a clear expression from the population to stay in or leave the EU is not surprising. We have reached a stage in global affairs where citizens have lost faith, or are losing faith, in domestic political leaders. At the same time, there is a demand upon these domestic political leaders to "take control" of their national affairs so that societies do not lose out to global influences and power. Connected with this are strong negative views towards the institutions and organisations of global affairs. Everyone seems dissatisfied with globalisation even though the world is facing a situation where global cooperation on a range of issues from trade, to the environment, peace and security, is essential.   However, we are seeing expressions of a belief that the constraints of international organisations and institutions are to blame for the shortcomings on the national level. Nationalist tendencies around the world are taking the premise that by rejecting the international aspects that are creating obstacles, states will be better able to manage their affairs and respond to the needs of society. Elites seeking political power thrive in this environment as society views the matter in abstract terms that are confusing and it is easiest to blame the external symbols of globalisation, like the EU.[5]

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[5] Rachel Donadio, "Britain's Flight Signals End of an Era of Transnational Optimism" *New York Times Online*, 24 June 2016, http://www.nytimes.com/2016/06/25/world/europe/brexit-britain-european-union.html?_r=1.

There is no question that international organisations do need to reform and evolve to be more responsive to both governments and societies. Calls for the EU to change its structure and process so that it is less top down and more bottom up are valid, but unlikely to bring about any real change. As the world globalises further there is greater attention on the local but it is not an either-or situation, choosing global or local as if they are mutually exclusive. There needs to be a combination of the two allowing organisations and institutions to bring together the international, national and local for addressing matters of common concern, while at the same time recognising local anxieties and needs. The claims of the Leave campaign that the UK will be able to make its own decisions are misguided. The UK will remain part of the complex web of global interaction and no individual state in the world today can be isolated. The Brexit situation is a symptom of malaise with integration efforts through international organisations, that is beyond doubt. But it does not mean these projects, that global cooperation through international institutions is dead, or no longer preferred.

The Brexit vote, the rise of nationalist leaders around the world and the apparent failure of international organisations to address major global issues such as peace and security and economic downturns do not mean the end of globalisation, understood as the ever increasing links across national borders; but it does show the limits in the linkages. States and societies want to assert and exert themselves, have their own identity and feel they are forging ahead to their own chosen destiny. There will always be an ebb and flow between nationalist approaches and cooperative approaches to world order. Over time multilateral cooperation through international institutions has become the norm in international relations and even if the UK leaves the EU this will remain the situation. There will always be high profile situations that demonstrate the limits of multilateral cooperation and this is a healthy contribution to the ongoing debate.

Much remains to be seen as to what the real impact of Brexit will be. Undoubtedly it will bring shifts in international relations, it will also shake up the EU in different ways, and it will also challenge the UK's own constitutional system. There is much uncertainty ahead and perhaps the world did not need the Brexit situation to add to the existing uncertainly we are already experiencing. There is a long way to go and it is not going to be a smooth process. It is hoped the relevant actors will work for a constructive outcome that satisfies the local needs and supports the ongoing trends of global cooperation.

BREXIT and Epochal Change—Implications for the United Kingdom and Beyond

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The historic BREXIT (Britain Exit) referendum vote of 23 July 2016 to leave the European Union (EU) has sent shockwaves through global financial markets as well as altering the political calculus for both the internal dynamics of the United Kingdom (UK) and the many states comprising the EU. There has been a recent plethora of discussions setting forth the myriad reasons the vote played out as it did from the perspective of recent internal political dynamics. Here, we wish to take a broader view. This short essay will discuss the BREXIT vote within the greater context of the epochal change (i.e. state form transition) now taking place within our contemporary system of Westphalian states. It will provide observations related to the BREXIT vote itself and its aftermath given this context. Finally, it will provide a few initial thoughts regarding the potential implications of this near-term period and eventual exit from the EU upon the United Kingdom—as well the European Union itself—on the security and stability of those entities.

Effects of Epochal Change

These authors have discussed at length elsewhere the concepts of epochal change theory, that is, the view that we are currently undergoing profound changes equal in magnitude to those which have occurred historically in the move from the classical to medieval and medieval to modern periods, driven forward by advanced technology and based on new energy foundations.[6] One of the major effects of the epochal change that we are witnessing in the shift from the modern to post-modern era is the emergence of new forms of political organization and the decline of earlier ones. As a component of this shift, the "Goldilocks zone" that sustains the Westphalian state—which includes the existence of a formal economy, middle class, conventional conflict, and sovereign prerogative—is being

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[6] See, for example, Robert J. Bunker and Pamela Ligouri Bunker, "The modern state in epochal transition: The significance of irregular warfare, state deconstruction, and the rise of new warfighting entities beyond neo-medievalism." *Small Wars & Insurgencies*. Vol. 27, No. 2, April 2016: 325-344.

increasingly compressed.[7] Some of the effects of this epochal change as it specifically relates to BREXIT and the United Kingdom include the following:

• *Simultaneous Regionalization and Fragmentation:* State sovereignty is both imperilled from above and below during this post-modern transition. For the United Kingdom—with England politically at its core—this means that governmental authority has increasingly been ceded to decision makers in Brussels—the capital of the EU—while at the same time Scotland has been increasingly motivated to break away and seek political self-determination.[8] Similar predicaments have existed for many other EU states with an erosion of sovereignty in the face of an emerging pan-European political entity and the rise of succession movements in a number of regions, perhaps most notably the Spanish region of Catalonia.[9]

• *Losing the Social and Economic Middle:* Another one of the effects of epochal change on Westphalian states is that of the hollowing out of the middle. Like a sturdy oak suffering internal decay if the economic and social class foundations of a state are undermined, over time it will weaken and begin to show signs of increasing distress. The United Kingdom has seen numerous cities deindustrialize with an ensuing loss of factory jobs along with a sequential flattening of business enterprises that have eliminated numerous middle management positions. The end result is that the formal industrial age economy has constricted—and along with it blue and white collar middle class jobs—while the illicit (and informal) and what can be considered sovereign free (bypassing UK taxation) economies have expanded. Hence, UK income inequality is substantial for a developed nation[10] with wealth

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[7] For more on this process and this "Goldilocks zone," see Robert J. Bunker and Pamela Ligouri Bunker, Eds., *Global Criminal and Sovereign Free Economies and the Demise of the Western Democracies: Dark Renaissance*. London: Routledge, 2014: 7-11.

[8] The Scottish independence referendum took place in September 2014 with a 55% no vote to independence and a 45% yes vote to independence. "Scottish referendum: Scotland votes 'No' to independence." *BBC News*. 19 September 2014, http://www.bbc.com/news/uk-scotland-29270441. Scotland staying within the United Kingdom was predicated upon it, in turn, staying within the EU.

[9] Richard Noack, "These 8 places in Europe could be the next to try for independence." *The Washington Post*. 18 September 2014, https://www.washingtonpost.com/news/worldviews/wp/2014/09/18/if-scotland-breaks-away-these-8-places-in-europe-could-be-next/.

[10] "Compared to other developed countries the UK has a very unequal distribution of income. Out of the 30 OECD countries in the LIS data set, the UK is the joint sixth most unequal, and within this data set it is the third most unequal in Europe." See "The Scale of Economic Inequality in the UK." The Equality Trust. 2015, https://www.equalitytrust.org.uk/scale-economic-inequality-uk. Original data from "Luxembourg Income Study." Cross-Data Center in Luxembourg. 2016, http://www.lisdatacenter.org.

inequality even more pronounced, creating a situation wherein "The richest 10% of households hold 45% of all wealth. The poorest 50%, by contrast, own just 8.7%."[11]

• *Constrained Revenues and Rising Debt:* As of August 2015, falling UK income tax receipts have resulted in the need for additional constraints on governmental expenditures.[12] These shortfalls have further added to additional increases in national debt. Years of constrained revenues vs. ongoing expenditures have now resulted in an official UK national debt of over 1.6 trillion pounds (£),[13] though this number is actually misleading. It has been noted that when "…factoring in all liabilities including state and public sector pensions, the real national debt is closer to £4.8 trillion, some £78,000 for every person in the UK."[14] The downstream outcome of the ongoing revenue and debt crisis has been severe restrictions in both 'guns and butter' (military and public welfare) spending. As a result, the British army has now shrunk to below 82,000 soldiers—the smallest it has been since the Boer War.[15] Further, unfunded public servant pensions not only add to rising debt levels but threaten governmental retirees with reductions in pension pay-outs and standards of living.[16]

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[11] See "Chapter 2: Total wealth, Wealth in Great Britain, 2012 to 2014." Office for National Statistics. 1 May 2016, http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/rel/was/wealth-in-great-britain-wave-4/2012-2014/rpt-chapter-2.html. Cited in "The Scale of Economic Inequality in the UK." The Equality Trust.

[12] Phillip Inman, "UK deficit rises steeply after surprise fall in tax receipts." *The Guardian*. 22 September 2015, https://www.theguardian.com/business/2015/sep/22/uk-deficit-rises-steeply-after-surprise-fall-in-tax-receipts.

[13] Peter Spence, "How large is the UK's national debt, and why does it matter?" *The Telegraph*. 21 June 2016, http://www.telegraph.co.uk/business/2016/02/19/how-large-is-the-uks-national-debt-and-why-does-it-matter/.

[14] Quoted from http://www.nationaldebtclock.co.uk. This is derived from a 2010 analysis. See Philip Aldrick, "Government urged to reveal 'true' national debt of £4.8 trillion." *The Telegraph*. 20 August 2010, http://www.telegraph.co.uk/finance/economics/7957110/Government-urged-to-reveal-true-national-debt-of-4.8trillion.html.

[15] Richard Norton-Taylor, "Army to shrink to smallest size since Boer war while reservists' role bolstered." *The Guardian*. 17 July 2011, https://www.theguardian.com/uk/2011/jul/17/army-shake-up-reduce-size and Ben Farmer, "British Army already below smaller 82,000 target." *The Telegraph*. 29 July 2015, http://www.telegraph.co.uk/news/uknews/defence/11771212/British-Army-already-below-smaller-82000-target.html.

[16] Ben Riley-Smith, "Every Briton faces £53k debt for public secret pensions and other unfunded schemes." *The Telegraph*. 18 April 2016, http://www.telegraph.co.uk/news/2016/04/17/every-briton-faces-53k-debt-for-public-secret-pensions-and-other/.

• *Demise of Societal Consensus:* Economic pressures exacerbate social class divisions within democratic societies as smaller numbers of constituents are satisfied with the political distribution of public goods and resources. In the United Kingdom, we are seeing this take place with 'us and them' mentalities replacing win-win electoral compromises. As a result, zero-sum "selectorate" coalitions may very well win an election or referendum—increasingly by razor thin margins—but cannot be said to represent the "will of the governed" when high percentages of the electorate feel disenfranchised after all the ballots have been counted.[17] A similar malady has taken hold in the United States with the polarization of the Democratic and Republican parties and the huge increase in Independent votes that have opted out from organized party structures. Further, London, the cosmopolitan capital of the UK with a concentration of transnational elites and global financial markets, has ideologically become increasingly out of sync with large portions of the country's inhabitants, particularly that social strata in the rest of England and Wales who are less affluent, more insular in their thinking, and view globalization as a threat to the traditional order of British governance.[18]

The BREXIT Vote

Given the conditions set forth above, the outcome of the recent BREXIT referendum in which
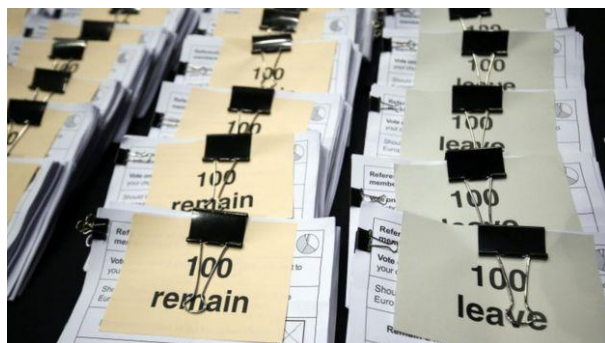
a majority of citizens voted to exit the European Union should not have been an unforeseen outcome. That outcome corresponds to the imperative of a UK set with facing the crises of sovereignty (both internally and externally) and legitimacy

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[17] Winning coalitions result that turn public goods into private goods and in effect create a spoils system. For more on selectorate theory, see Bruce Bueno de Mesquita et.al., *The Logic of Political Survival*. Cambridge: MIT Press, 2003.

[18] This is due to fact globalization has been very good to London's more affluent inhabitants. As a by-product, housing values—even with post-BREXIT drops—are increasingly resulting in fewer and fewer families being able to afford their own homes. In fact, until recent pound (£) devaluations, average house values were approaching one million US dollars ($) that is far beyond the reach of most English citizens. See, for instance, Hilary Osborne, "Average price of London home almost doubles to £600,625 since 2009." *The Guardian*. 11 May 2016, https://www.theguardian.com/money/2016/may/11/average-london-home-doubles-price-house-property.

(with large portions of the population feeling the government is no longer governing in their interest).[19] Increasing dissent from fellow Tories regarding the nature of the relationship between the UK and the EU—and indeed continued membership in that union itself–led Prime Minister David Cameron in January of 2013 to give a 'landmark' speech calling on the EU for reforms.

In that speech given at Bloomberg's headquarters in London, Cameron reiterated that the core of the relationship within the EU was the single market (not the single currency) and sought to underscore the British desire for a 'flexible' rather than 'ever closer' union between its members. Citing public disillusionment with a perceived lack of democratic accountability on the part of the EU and concern for pressures on the EU resulting from freedom of movement within it, Cameron's speech floated the potential for an exit on the part of the UK if those reforms were not forthcoming.[20] With the referendum for Scottish Independence ostensibly settled given a 55% vote for remaining in the UK, there was an understandable desire to attempt to put the EU issue to rest as well. After unfortunately securing a less than hoped for package of renegotiated terms, Cameron set a date for a promised referendum on EU membership for 23 June 2016.

The referendum commonly known in the media as a vote for or against a BREXIT was held this past week and to the shock of many in the UK and worldwide—seemingly including the 'Leave' side's main proponents former London mayor Boris Johnson and the far right UKIP party leader Nigel Farage who both were said to concede defeat even as voting just ended—the majority of UK citizens voted to leave the European Union.[21] Much has been made about the decision being one based on emotion not rational calculation. In epochal change terms, however, the electorate was reacting rationally to a perception of a need to reverse the

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[19] For a more detailed look at these crises, see Pamela Ligouri Bunker, "Crisis in Europe: The deconstruction of the Westphalian state" in Robert J. Bunker and Pamela Ligouri Bunker, Eds., *Global Criminal and Sovereign Free Economies and the Demise of the Western Democracies: Dark Renaissance*. London: Routledge, 2014: 188-222.

[20] David Cameron. EU Speech at Bloomberg. Gov.UK. 23 January 2013. https://www.gov.uk/government/speeches/eu-speech-at-bloomberg.

[21] See, among others, Cahal Milmo, "How a concession became a non-concession as the early results rolled in." *iNews*. 24 June 2016, https://inews.co.uk/essentials/news/uk/concession-became-non-concession-early-results-rolled/.

erosion of sovereignty and legitimacy of their Westphalian nation state in the face of a lack of a new state form that offered the security and welfare the old state form had been perceived as previously providing. Earlier analysis by one of the present authors suggested that the EU could have potentially become that state form if it were able—and allowed—to provide the region's citizens with a new European identity and social contract that fulfilled their needs in this transitional period.[22] However, as the BREXIT vote shows, it clearly was perceived by at least 52% of UK voters as not presently fulfilling its role as heir to the Westphalian state. The regional votes of confidence in the EU by the majority of voters in London and Scotland merely accentuate the fact that the Westphalian nation state continues to fracture even as a new alternative is not yet ready to take its place.

The post-BREXIT atmosphere in the UK in many ways now resembles a neo-medieval patchwork of competing entities and interests. Scotland under Nicola Sturgeon is threatening to block the UK's exit from the EU and, if that fails, to potentially either cut a side deal with the EU to stay within it or even call for a new referendum vote to break away from the UK.[23] Additionally Northern Ireland politicians have now been openly musing about once again seeking unification with the Republic of Ireland in order to remain in the EU and calls for London to become an independent city-state with EU membership have even been raised.[24] Fissures in the Conservative and Labour parties in the meantime have also opened up as individual politicians jockey for position even though their platforms are devoid of any tangible strategic roadmaps for the future.[25] The true dilemma represented by epochal change is that the political classes in the UK are now literally engaging in knee jerk decision

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[22] Pamela Ligouri Bunker, "Crisis in Europe: The deconstruction of the Westphalian state": 213.

[23] Brian Taylor, "Nicola Sturgeon says MSPs at Holyrood could refuse Brexit consent." *BBC News*. 26 June 2016, http://www.bbc.com/news/uk-scotland-scotland-politics-36633244.

[24] Tom Marshall, "London referendum results: Twitter users call for capital to become independent state after Brexit vote." *Evening Standard*. 24 June 2016, http://www.standard.co.uk/news/london/london-referendum-results-londoners-call-for-capital-to-become-independent-state-after-brexit-vote-a3279801.html and Holly Baxter, "It's time for London to leave the UK and stay in the EU." *Independent*. 25 June 2016, http://www.independent.co.uk/voices/brexit-latest-london-independence-time-to-leave-uk-eu-referendum-sadiq-khan-boris-johnson-a7100601.html.

[25] "Labour MPs submit Corbyn no confidence motion." *BBC News*. 24 June 2016, http://www.bbc.com/news/uk-politics-36621777 and Peter Walker, Anushka Athana, and Heather Stewart, "Conservative leadership rift opens as Brexit recriminations begin." *The Guardian*. 26 June 2016, http://www.theguardian.com/politics/2016/jun/26/conservative-leadership-rift-widens-brexit.

making with an inability to turn the clock back to the heyday of the Westphalian era and yet have no viable path to take its citizens into the future.

Implications for the United Kingdom and Beyond

The near-term concerns for the UK and its European neighbors—and indeed its allies—are the security and stability that the aftermath of the BREXIT vote portends.

If the previous web of cooperation between EU entities was complicated and imperfect, the implications of the detangling of these entities with regard to European security issues and potential animosities between them has the potential to divide and unsettle the region. The following issues have been raised:

• *Lack of Respect for the Democratic Process:* Widespread protests of the outcome of the referendum and calls for either ignoring the results of the referendum, separating from the rest of the UK, or redoing the referendum to achieve another outcome all speak to a breakdown in respect for the legitimacy of the democratic process. The potential for violence from individuals on both sides of the political equation should not be discounted as emotions run high. Simply avoiding acting on the decision, ex post facto changing the rules so that supermajorities are required, or attempting to engage in a redo-referendum because one side or the other does not like a voting outcome undermines the democratic integrity of a neo-liberal state.

• *Rise in Hate Crimes and Violence:* The creation of power vacuums in European institutions as a near term outcome of BREXIT has the potential to empower extreme right wing hate groups such as the neo-Nazis in Germany and elsewhere and far right wing groups such as the German AfD (Alternative fur Deutschland), the French FN (Front National), and the Dutch PVV (Partij Voor de Vrijheid)—Eurosceptic populist and nationalist parties who adhere to anti-immigration and anti-Islamic platforms and whose supporters might be moved to violence. In the UK, a marked rise in the number of post-BREXIT hate crimes taking place has already been

identified.[26] Concerns over the use of police state tactics to quell public explosions of discontent also exist.

• *Further Division of the EU and Devolution of Power within its Members:* Now that a major fissure has appeared in the integrity of the EU, the potentials for it to deepen and spread readily exist. Far right parties in France, the Netherlands, and Italy are already calling for EU exit votes after the successful succession vote taking place in the UK.[27] Additionally, the flipside of economic regionalization and neo-liberal inclusiveness—the raison d'être of the EU—are states suffering the effects of internal collapse resulting from tribalism. If regions or major cities in Italy for instance, such as Veneto/Venice, seek to acquire their own sovereignty, this would represent a devolution of institutions reminiscent of the Medieval Italian city-states. Political opportunism potentials such as a Spanish gambit to splinter off Gibraltar—95% of its voters wanted to stay in the EU—or Gibraltar reaching an accord with Scotland to stay in the EU also now exist.[28]

• *Increased Social Divisions Between Haves and Have Nots:* As political uncertainty from BREXIT continues to fuel an economic downturn—with some two trillion dollars in global market equity now lost—it in turn magnifies increased social divisions between the haves (globalization's winners) and the have nots (globalization's losers) across Europe.[29][24] The

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[26] See, for instance, Camilla Turner, "Spate of racist attacks blamed on Brexit vote." *The Telegraph*. 26 June 2016, http://www.telegraph.co.uk/news/2016/06/26/spate-of-racist-attacks-blamed-on-brexit-vote/ and Staff and Associated Press, "Britain sees more accusations of xenophobic attacks after Brexit vote." Fox News. 28 June 2016, http://www.foxnews.com/world/2016/06/28/britain-sees-surge-in-xenophobic-attacks-amid-decision-to-leave-european-union.html#.

[27] Ben Norton, "Europe's far-right parties declare victory after Brexit, call for more referendums." *Salon*. 24 June 2016,
http://www.salon.com/2016/06/24/europes_far_right_parties_declare_victory_after_brexit_call_for_more_r eferendums/.

[28] James Badcock, "Spain says 'closer to' controlling Gibraltar after Brexit vote." *The Telegraph*. 24 June 2016, http://www.telegraph.co.uk/news/2016/06/24/spain-proposes-shared-sovereignty-over-gibraltar-after-brexit-vo/ and Gabriel Gatehouse, "Brexit: Gibraltar in talks with Scotland to stay in EU." *BBC News*. 27 June 2016, http://www.bbc.com/news/uk-politics-eu-referendum-36639770.

[29] Edward Krudy, "Post-Brexit global equity loss of over $2 trillion worst ever: S&P." *Reuters*. 26 June 2016, http://www.reuters.com/article/us-britain-eu-stocks-idUSKCN0ZC12G.

expectation is, if this downturn continues over the long term, both divisions between the more affluent northern EU states and the less affluent southern EU states will increase as will that of tensions between citizens (and migrants) within European states already suffering socio-economic class tensions.

• *Russia Sanctions Setbacks:* The UK had been one of the strongest supporters of EU sanctions against Russia as a result of both its overt (support of pro-Russian insurgents) and covert (deployment of Russian troops out of uniform) Ukrainian policies. The BREXIT vote will provide ample propaganda fodder for Putin directed internet trolls and RT (*Russian Today*) reports seeking to drive wedges between hard line German, Polish, and Baltic state stances with those of softer Greek, Italian, and Spanish perspectives in the absence of future UK influence on this matter.[30]

• *European Counterterrorism Cooperation Degraded:* In the past, the relationship between the various policing and intelligence agencies of the EU member states has been less than cooperative—or at least badly coordinated—which resulted in numerous information gaps that terrorists could exploit. With Islamic State and even Al Qaeda attacks still threatening, counterterrorism cooperation will suffer with the UK now locked out of Europol.[31][26] That the EU is now facing an 'existential crisis' which is calling its 'purpose, even existence, into question' will result in domestic counterterrorism concerns being given a lower priority into the foreseeable future.[32] Additionally, English—which until a few days ago was in actuality the de facto EU working language—now has the potential to be removed as one of the three working languages of the EU (the others being French and German).[33] The loss of a dominant

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[30] Julian E. Barnes, "Vote Complicates Terror, Sanctions Stance." *The Wall Street Journal*. 27 June 2016: A6.

[31] Ibid.

[32] "Foreword" and "Executive Summary" in *European Union Global Strategy*. 28 June 2016, http://eeas.europa.eu/statements-eeas/2016/160628_02_en.htm.

[33] Danny Boyle, "English language could be dropped from European Union after Brexit." *The Telegraph*. 28 June 2016, http://www.telegraph.co.uk/news/2016/06/28/english-language-could-be-dropped-from-european-union-after-brex/

pan-European language would only serve to further complicate future UK and EU coordinated counterterrorism planning.

• *Britain's Role in UN Security Council Imperilled:* The five-member permanent (P5) United Nations Security Council is a relic of the immediate post Second World War era—one reflecting the major state victors of that conflict. While the creation of ten non-permanent members (elected for two-year terms) has sought to modernize this institution, the very real potential in the future for the UK to be removed from its permanent seat now exists. The UK military has become a former shell of itself due to severe economic pressures and its nuclear weapons program—comprised of four trident submarines based in Clyde, Scotland (also problematic)—is minimal at best. To clean up P5 great power inconsistencies in the future, the UK's seat quite possibly could go to India and France's seat could go to the EU, assuming the latter fully evolves into a viable regional state entity which itself is still highly questionable.

• *Future of NATO vs. EU Military Autonomy:* If the EU falters due to BREXIT and its effects, NATO will likely benefit as an ongoing extension of US regional influence. On the other hand, with the UK exiting the EU, increased pressure may exist for an expanded EU military and its need for its own strategic autonomy, which while likely supportive of the US, is independent in nature. Such EU military autonomy would further eclipse UK military capacity and, while still allied with the EU, might drive the UK militarily instead even more closely to the US and some of its staunchest allies within the Commonwealth of Nations (former British Commonwealth).

For the long term, if the EU is to evolve into a viable regional political entity and achieve its mantle as the legitimate successor to the Westphalian state, one of its major membership components will be required to be changed. It will have to shift from a voluntary to a compulsory union. Drawing upon the old adage "In for a penny, in for a pound"—or in this instance a Euro (€)—an EU member state at some point will not be able to voluntarily leave this political entity. The UK, or at least England and Wales, has left the EU while still having the choice to be able to put national sovereignty before European integration. If the EU is to evolve, however, at some point in the years to come no more exit referendums will be allowed. Once a state pledges to the EU, it will have done so irrevocably. Any attempts at leaving would be considered sedition and could be met with deployed EU troops sent to

maintain pan-European sovereignty. This is the only way that the EU would be able to maintain long-term planning and security for the EU as a whole. In the interim, we should expect to see continued pressures on Westphalian states occurring on an ever-compressed timeline as epochal change moves forward and other new entities compete to take its place.

Brexit and the Resurgence of Identity Politics

Paul B. Rich, Non-Resident Fellow, Insurgency and Counterinsurgency

One of the most striking features of the Brexit vote in Britain is the surprise and shock it has created not only in Europe but globally. It has demonstrated all too clearly the volatile character of identity politics, defined in the sense that politics revolve around who you are and your national, ethnic, racial or religious background rather than the balance of interests at stake in pluralist politics and the strength or weakness of the arguments at stake. Following Harold Lasswell's central question about politics - "Who Gets What? When? How?" - identity politics threatens to simplify the "Who" to the point where it becomes the over-riding axiom of political debate.

For Marxists and political radicals, this is nothing less than disastrous since identity politics are seen as usually working against the class and collective interests of the oppressed, while many liberals also view these sort of politics with alarm given their high propensity to emotive extremism. Some liberal political theorists, though, have argued that all politics, to some degree, involve identity issues and it is only what Richard D, Parker terms "pathological" identity movements that threaten to become illiberal and the destroyers of the democratic system itself. [34] Some liberals have argued that in a pluralist political system it makes sense to organise around identities in order to attract media attention and secure legislation to improve the position of marginalised groups such as gays and the disabled. [35] But the problem behind this is that too much identity politics threatens to destabilise the political system, with a plethora of different movements forced to come together in unstable coalitions to secure any sort of real impact at the political centre.

In Britain, the parliamentary system of government has been often viewed as highly effective in marginalising "pathological" identity politics, with extremist political parties marginalised by the first-past-the-post electoral system. Nevertheless, students of British history will know

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[34] Richard D. Parker, "Five Theses on Identity Politics," *Harvard Journal of Law & Public Policy*, Vol. 29, No. 1 (2005), 53.

[35] Stanley Fish, "When 'Identity Politics' is Rational", *New York Times* 17 February 2008. www.opiniator.blogs,nytimes.com.

that issues of national identity plagued governments in London in nineteenth century, with home rule for Ireland splitting the Liberal Party in 1886 and keeping them out of power for twenty years. The same issue almost threatened civil war when it surfaced again in 1914 as the Northern Ireland Unionists mobilised under their leader Sir Edward Carson to resist by force the imposition of home rule by the Asquith Liberal government in London. They had considerable support from officers in the British army and civil war was only averted by the onset of World War One

So it is an historical myth to see Britain as somehow not "doing" identity politics like other states, though such a myth did emerge in more recent politics, especially in the wake of New Commonwealth immigration in the 1950s and 1960s. Segregating new communities of Afro-Caribbean and South Asian immigrants was widely viewed by politicians at Westminster as a

dangerous road to go down, and Britain largely avoided creating the huge *banlieues* of Muslim communities on the margins of many French cities. Nevertheless, for decades since Race Relations legislation in 1965 and 1968, immigration issues were largely kept off the main political agenda by collective agreement of the leaders of the mainstream political parties, who viewed with alarm the potential of race and immigration to polarise political opinion.

There was, by the 1990s, a degree of smug self-confidence in British political discussion on identity politics, especially among the metropolitan elite. It was widely assumed that identities could be largely contained within a framework of multiculturalism. The very word "racism" became an increasingly invidious one in British politics while the multicultural discourse progressively eased out earlier discussion stretching back to the 1960s on building a "multi-racial Britain." Ethnic categories were also no longer seen as being in any way fixed and "primordial" but capable of being managed and guided in ways that would ensure continuing social cohesion. Attachment to ethnic identity did not necessarily challenge or threaten liberal precepts underpinning modern parliamentary democracy. In a free society, it was argued, communities and individuals alike can be free to invent or transform their religious and ethnic identity as they see fit. This is a matter to be celebrated rather than

feared. and the role of the law is to act, under the Equality Act, against all forms of religious, ethnic and racial discrimination and to prosecute those who incited racial or religious hatred. But much depended upon the new style of managed party politics that took over in Britain, as it had earlier done in the United States, in the course of the Thatcher, Major and Blair years to the point that politics became dangerously remote from people at the local level.

Nevertheless, party management at the centre ensured by the 1990s that it was so far so good on the ethnic minority front. In that decade, a new identity politics emerged with the revival of Scottish nationalism, which added to the continuing dilemma of how to manage on the ongoing problem of Northern Ireland where the Troubles had rumbled on continuously since the late 1960s. It was one of the major achievements of the Labour government of Tony Blair (now in danger of being viewed almost entirely through the prism of its later involvement in the invasion of Iraq in 2003) to grasp both these issues fairly soon after coming to power: with the Good Friday Agreement in 1998 leading to a power sharing arrangement in Northern Ireland and the Scotland Act the same year devolving power to a new Scottish parliament in Edinburgh. Once more, it seemed, identity politics had been largely managed by the turn of the millennium, with identities being apparently relegated to the level of lifestyle choices such as hair and dress styles and religious affiliation. The event that symbolised this new "post-modern" politics of identity was the annual Notting Hill Carnival, which appeared to make Britain a world leader in learning to incorporate multiple ethnic communities into a single society.

The Brexit vote has exposed some of the illusory aspect behind this multicultural myth. It was premised upon a cohesive United Kingdom remaining part of the European Union which it had first joined in 1973 and approved in a referendum in 1975. There had been rumbling discontent with this project for years among sections of political opinion in both Westminster and the country at large, with a group of right wing opponents on the Conservative back benches being troublesome to the point that they were dismissed as "bastards" by John Major, while prime minister, in 1993. Major even resigned his leadership of the Conservative Party and sought re-election in order to confirm his authority over such a divided party, though this failed to prevent the party's disastrous defeat at the hands of Tony Blair's Labour Party a few years later in 1997.

The issue of Europe challenged, more than any other, the belief among the metropolitan elite in Britain that education and rational discussion would in time win over the disaffected hinterland, as it had apparently done on other issues like immigration and devolution. For much of this elite Britain's future could hardly be anywhere else than in Europe, though it was hoped that the terms of membership might be re-negotiated. The metropolitans identified with the EU project so closely that it saw those in favour of leaving as somehow no longer really European even though the leader of the UK Independence Party (UKIP), Nigel Farage, repeatedly declared himself a lover of things European not the Brussels bureaucracy. But this was, to some degree, a dialogue of the deaf and one pro-EU poster during the referendum would, perhaps rather snobbishly, read "Fromage not Farage."

To opponents of the EU, the project of "ever closer union" appeared to threaten the long - term prospects of the United Kingdom itself and its parliamentary democracy. The progressive expansion of Brussels worried nationalists who feared that the very identity of Britain was at stake, though what made this theme increasingly toxic was the way it became closely linked in the arguments of EU opponents concerning the apparent inability of the UK government to do anything substantial to bring down immigration levels.

These concerns were mounting by the time David Cameron finally fulfilled his promise to hold a referendum on Europe in the wake of the 2015 Conservative election victory. The Conservative leadership appears to have believed that the referendum could be seen off like the two previous referenda on the electoral system and Scottish independence. However, this was a referendum with a difference: unlike the 1975 referendum, in which almost all the political big hitters were for staying in Europe, a significant minority of the political establishment was for leaving, including several cabinet ministers as well as the charismatic former mayor of London, Boris Johnson. This establishment group was able to absorb the fringe party UK Independence Party (UKIP) though it was also able to make good use of the charismatic Farage in galvanising a populist campaign for exit.

For all his skills as a successful parliamentarian, David Cameron made a fatal miscalculation on the likely outcome of the referendum: a mistake which appears quite possibly to have been shared by Boris Johnson. Both men appear to have calculated that the remainers would narrowly win, ensuring that Johnson could then mount a successful leadership bid to replace Cameron as prime minister. This intra-party rivalry, which doubtless had roots in student days at Oxford, detracted from the wider forces set in motion at the local level during the referendum campaign itself. The sentiments for Brexit at the grass roots mobilised an popular desire to "reclaim" British sovereignty from Europe which, it was widely felt, had been progressively stolen in a series of European Union treaties since the Treaty of Maastricht in 1992 in the era of John Major (who came out as a passionate, if rather bitter campaigner for staying inside Europe).

This was no longer an identity politics of a narrow movement but of a huge swathe of middle England and Wales as well as sizeable minorities in Northern Ireland and Scotland. This identity politics was partly impelled by a nativist reaction to abnormally high levels of immigration which, by 2015, exceeded 333,000, the second highest on record, with EU immigration rising to 184,000. This clearly undermined the government's claim that it could bring the total down to tens of thousands and created the impression that the government had almost completely lost control of the issue and which could only get worse if the country

remained inside Europe. However, in some areas, issues other than immigration were clearly coming to the fore: many of those in the impoverished former mining communities of South Wales who voted to leave, for instance, did not face the prospect of significant numbers of immigrants settling in their midst like in the east of England, and can be more fully explained by the collapse of traditional industries and a feeling of remoteness from central government, whether this was in London or the Welsh Assembly in Cardiff.

The referendum campaign thus exposed a series of deep gulfs in British politics and culture between the metropolitan elite and media centred in London and the South East and the rest of the country, especially the Midlands and parts of the North. This gulf was complicated by

age with 60% of over 65s and 55% of those between 55 and 64 voting to leave while 79% of those aged 18-24 and 62% between 25 and 34 voted to remain. However, while only 40.1% of those in London voted to leave 58.7% of those in the North West voted to leave together with 59.3% in the West Midlands, 57.7% of in Yorkshire and Humberside and 52.2% of those in Wales.

This was clearly no longer class politics in the sense that this had underpinned the two party system in the decades after 1945. The political consensus behind this had been breaking up even in the era of Mrs Thatcher in the 1980s though, on the right, many neo liberals believed that class would be replaced by a more American style of individualism and social mobility. But faith in this individualist model had been crumbling long before the 2008 recession, but had not been replaced by any substantially new politics which drifted on, first under Gordon Brown and then under David Cameron, in a pattern of managed party politics, fiscal restraint and acceptance by both parties of some degree of economic austerity.

The liberal metropolitan elite in Britain thus remained remarkably unaware of the challenge that was mounting to the continuing membership of the EU. The elite saw in Europe the future of the UK and more or less trusted that the Brussels bureaucracy and European parliament (institutions that they never properly understood) would be strong enough to absorb any populist claims for a separate British national identity "outside" Europe. Some of this elite retained only a minimal attachment to the idea of Britain as a nation state; almost none came out openly and declared for any sort of European federalism, even though this was clearly one serious political position to have in any sort of proper debate about the EU. Few had much time any longer for the legacy of the "peoples war" of World War Two, which conjured up a remote world of rationing and wartime socialism markedly at odds with modern affluence and regular trips to the continent. The voting evidence in the referendum suggests that many younger voters also no longer shared in these national myths that appeared to be relics of the past and now relegated to the recycling on television of old black and white war films such as *Reach for the Sky, The Dambusters*, *The Longest Day* and the apparently deathless comedy series *Dads Army*.

However, it was precisely these national myths which resurfaced in the course of the referendum campaign. Very few voters now had direct experience of having actually fought

in World War Two, though many older working class voters had memories of national service in the army in the 1950s and early 1960s, some in colonies like Malaya and Kenya in the run up to independence. Many of these voters had also been brought up on a diet of patriotic British war films and a popular memory of the last time that Britain had stood alone in 1940: an idea that seemed all too relevant in the new debate on Europe, when it appeared that Britain could once again stand on its own outside the EU and secure its own trade deals with whoever it wanted. Some even looked to Britain becoming a new power house like Singapore off the coast of Europe; while others saw the issue less in economic terms than the recovery of parliamentary sovereignty from an alien and poorly understood Brussels machine run by aloof bureaucrats like the federalist president of the European Commission, Jean Claude Juncker, former prime minister of Brussels, who seemed to have few genuine democratic instincts.

To this extent, it is possible to see the great divide that emerged over Brexit in the weeks prior to the referendum as indicative of a new form of class division in Britain. Compared to orthodox Marxist theories of class linked to relationship to the means of production this was a class divide defined by access to educational and cultural resources as well as political power at the centre. This pattern of class division was largely colour blind as many people from ethnic minority backgrounds with good educational qualifications moved into senior positions in industry, the law, civil service and politics. At the bottom end, it was a different story as a series of marginal communities around Britain found themselves overlooked or ignored despite the fact that they had been, in many cases, victims of de-industrialisation since the Thatcherite 1980s. These communities were often largely white and anchored in a more nostalgic idea of the past and the British nation. Many identified with the idea of a British nation imparted by some of the tabloid press such as *The Sun*, *The Daily Express* and *The Daily Mail*.

This nationalism first began to take a visible form in the 1980s in the wake of the 1982 Falklands War. Over the years more and more England flags appeared at football matches especially as support for Scottish nationalism rose north of the border. This nationalism was also underpinned by resentment against large immigration and the EU's commitment to the free movement of labour, a commitment ardently supported by the German Chancellor Angela Merkel. In the end, therefore, Brexit has been to a considerable degree a battle over

rival mythologies in a pattern of identity politics that have gone from "lite" to heavy and epitomised by Nigel Farage's declaration after the referendum was declared that this was Britain's "independence day." The vote has struck an accord with a marginalised and rather embittered working class and there has been, in the weeks since the referendum, as invidious rise in attacks on immigrants and ethnic minorities. The new government of Theresa May thus faces a major challenge in stabilising public opinion and working out a coherent negotiating strategy for what will very probably prove to be a long and difficult extrication process.

In the Aftermath of Brexit

Radwa Said, Researcher in International and Energy Economics

The much awaited referendum on June 23rd 2016 saw British citizens turn the course of the world's fifth largest economy's future towards an uncertain path for now. The outcomes sent shockwaves across the globe and major markets reeled under pressure. Approximately 52% of the British voters opted to leave the European Union (EU) putting an end to 43 years of membership in the block, pushing the UK and the EU into unchartered territory. This choice by British citizens opens up a period of uncertainty in both the UK and Europe resulting in short-term volatility for the financial markets, opening up deep insecurity about its growth prospects and its attractiveness to investors. The fallout from the UK's EU referendum is expected to continue for some time given the likely protracted nature of exit negotiations. Prime Minister Cameron has resigned effective from October, leaving the ruling Conservative Party with Theresa May, a new party leader and Prime Minister. When talks begin, they could last for as long as two years.

Political uncertainty looks unlikely to be resolved soon, and regulatory and institutional uncertainty will be a feature of doing business in the UK for years to come. In other words, the political turmoil currently engulfing Britain might, in the short term, hurt the economy at least as much as the outcome of the referendum itself. Unsurprisingly, major credit rating agencies have responded to these political risks with an unfavourable assessment of the UK's long-term economic outlook. Standard & Poor's and Fitch have downgraded Britain's credit rating to "AA" (from "AAA" and "AA+" respectively) due to what the former called a "less predictable, stable, and effective policy framework in the UK."[36] Moody's changed the UK's sovereign outlook to negative from stable and these ratings could significantly widen UK corporate credit spreads close to levels last seen during the 2008-09

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[36] Paola Subacchi, "Westminster's Squabbling is Making Brexit Worse", *Foreign Policy* 29 June 2016, http://foreignpolicy.com/2016/06/29/westminster-squabbling-making-britain-poorer-brexit-economy/.

financial crisis. In the near term, this increases the probability of corporate defaults and a cutback in investment spending until 2019, when the EU exit formalities are expected to be completed. A sovereign credit rating downgrade could also hurt the government's efforts to stabilise its public debt and balance its budget by 2020.

Keeping up confidence is critical. Britain has a large current account deficit, about 7% of GDP, and inflows of foreign money are necessary to finance this deficit. London, the world's leading international financial center (for now at least), requires foreign investors' confidence to thrive; liquidity is essential to maintaining this confidence, and any hint that flows might be constrained would create turmoil. As a result, the Bank of England (BoE) has pledged GBP 250bn to safeguard the financial system adding that the BoE has further measures if needed to deal with a 'period of uncertainty and adjustment', which probably means keeping the door open to cut interest rates.[37]
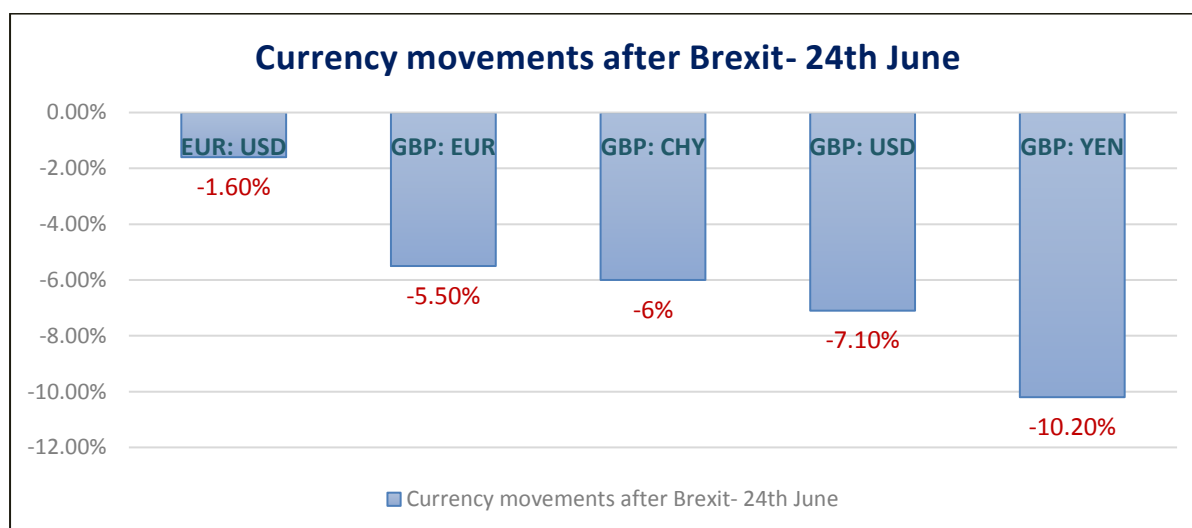
Reflections on Brexit

Markets across the globe witnessed substantial declines on 24th June following the vote, as the Morgan Stanley Capital International (MSCI) all country world index declined by 4.9% for the day. The Financial Times Stock Exchange (FTSE 100) declined by over 3%, while the broader EU markets major index such as (STOXX EURO 600) declined by over 8.6% over the day. US markets also saw widespread selling pressure as the Dow Jones Industrial Average (DJIA) & The Standard & Poor's (S&P) 500 were down each by over 3%. The markets were largely repricing risk, rather than anticipating another 2008 Lehman kind of collapse, as most markets recovered sizably from the lows of the day.

In Asia, Japanese Nikkei reacted strongly and declined by 7.92%. Meanwhile, in the GCC most of the stock markets before and opened sharply lower before recovering as investors realized that the impact on the GCC from the BREXIT fallout was limited. Egypt and Dubai Financial Market (DFM) saw the largest decline as investors sold off the blue-chips. DFM's large decline compared to GCC peers could be due to a larger foreign ownership proportion compared to

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[37] EmiratesNBD, "Reflections on Brexit" Global Macro 29 June 2016, http://www.emiratesnbd.com/plugins/ResearchDocsManagement/Documents/Research/20160629_Brexit.pdf.

other GCC countries and because it is more vulnerable to the British economy than its regional counterparts owing to foreign tourists and the properties sector. Saudi market posted a very strong recovery and ended down only 1.1%. In early market hours the Saudi stock market was down as much as 4.5%. Furthermore, the price for Brent crude oil declined by almost 4.9%. Concerns over Europe's economy and future oil demand and a strengthening USD were key drivers behind the decline of oil, following the referendum vote. On the other hand, gold (+4.2%) & the USD (+2.5%) were key beneficiaries of the market upheaval, along with treasuries, as investors turned risk averse and fled to safe trades.[38]

The degree of uncertainty and nature of adjustment is evident in financial market prices, which have moved sharply following the referendum. Between 23 June and 6 July, the sterling exchange rate index fell to 30 year lows (USD 1.3224) at 9% and short-term volatility of sterling (GBP) against the dollar rose to its highest level in the post-Bretton Woods era; Emerging Market (EM) currencies were under pressure and the sterling plunged against all major currencies as investors looked to exit GBP denominated assets and unwind GBP long positions. The Euro declined by 1.6%, significantly lower than the USD. Yen & USD currencies rose the most against the GBP, gaining by over 10.2%, and 7% respectively, while Swiss CHY also gained 6% against the GBP, as all major safe haven currencies gained.

Currency movements after Brexit- 24th June

	EUR: USD	GBP: EUR	GBP: CHY	GBP: USD	GBP: YEN
	-1.60%	-5.50%	-6%	-7.10%	-10.20%

Source: Bloomberg, KAMCO Research.

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[38] KAMCO Research, "Brexit & Impact on the GCC: Asymetic Risks?" June 2016, http://www.kamconline.com/Temp/Reports/267088a6-e9d5-494a-a615-5236c8836823.pdf.

There is no roadmap to follow or analogy to invoke as a guide or pattern for how the Brexit will reverberate in the months and years to come. However, according to the current consequences, we can summarize the major impacts as follows:[39]

- The flight to safety away from the epicenter of the British-EU divorce push capital away from the region and toward key safe-haven markets including the US—especially Treasuries—and to Japan. This will further lower market interest rates and raise relative currency values.

- A higher US dollar and Japanese yen are negative to both economies' export sectors. In the case of Japan, this is particularly unhelpful to its efforts to re-inflate and reinvigorate the economy after decades of deflation.

- The higher US dollar also triggers additional pressure on China to float the yuan lower, as it is caught in the divergence between its two largest export markets—the EU and the US.

- For the US, the negative impact on exports is relatively small compared with trends in domestic demand, but the deflationary pressure on tradable goods will widen the divergence between reasonably strong inflation in the services sector vs. reasonably strong deflation in the goods sector.

- As access to the Single Market is important for foreign direct investment (FDI). Brexit would cut FDI inflows, notably from the EU, resulting in lower UK business investment and a decline in the capital stock over time.[40] This, in turn, would negatively weigh on trade, innovation and weakening technical progress and productivity in the UK and downgrading the long-term UK's GDP growth. A lower exchange rate will also entail higher prices for imported consumer goods, energy and capital goods, and consequently lower real incomes.

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[39] Bain and Company, "The Potential Impacts of Brexit on the Global Economy", 24 June 2016, http://www.bain.com/Images/BAIN_BRIEF_The_Potential_Impacts_of_Brexit_on_the_Global_Economy.pdf.

[40] Bank of England, *Financial Stability Report*, No. 39, July 2016, http://www.bankofengland.co.uk/publications/Documents/fsr/2016/fsrjul16.pdf.

Undoubtedly, the US remains the most stable major global economy, but the uncertainty spread between the US and the EU has now increased. This further tilts macro conditions to the favor of the US market vs. the EU. The uncertainty may push the US Feds to take a much more dovish view, which would result in a delay in the rate rise. Given the currency peg of the GCC countries, the current USD strength is more positive for the GCC, while GCC exports to the UK and EU may reduce if economic slowdown materializes. Given the GCC's exports to the UK and the EU remain concentrated to the oil and energy related products, any slowdown in the respective economies on account of the Brexit may lead to further pressure on the price of oil. While oil has already reacted in anticipation to this, the realization of an actual slowdown will be negative.

On a longer-term view, the bilateral trading landscape between the GCC and the UK may not necessarily be harmed by Brexit. The EU has been unable to reach a Free Trade Agreement with the GCC, despite negotiations going back to 1988, which are currently stalled again. In theory at least it may be possible for the UK to strike beneficial bilateral trade deals with regional governments, something the UK may have an incentive to conclude. Also, depending on how sharp the decline in GBP is, and how long such currency weakness lasts, it could significantly impact on tourist flows, especially to the UAE, which have already been negatively affected by the weakness of other currencies such as the Russian rouble.

Conclusion

Untangling some of the existing frameworks related to British membership of the EU might be quite complicated and take time, and there would no doubt be a high degree of uncertainty. Financial market volatility would probably only add to that uncertainty, but once the dust has settled, it may well be that any weakness in sterling will be seen as generating significant new opportunities. The British financial system is more resilient and more able to absorb shocks than it was in the 2008 crisis.

Why Brexit Paves the Way for the Fragmentation of Political Relations in the Gulf

Cinzia Bianco, Non-Resident Fellow, Politics & Security

No doubt that Brexit is an issue that will primarily concern British citizens. However, after few weeks, it is already clear that this vote is going to have international repercussions including for the countries of the Gulf Cooperation Council (GCC) and on their relations with the United Kingdom (UK) and the European Union (EU). In fact, Brexit, seen from the GCC perspective, has both inward and outward implications. This is particularly true within the field of politics as the Brexit push feeds nationalist sentiments and officially marks an era of fragmentation in international organizations and relations.

An inward-looking impact

Historically, one of the premises in EU – GCC relations has been the assumption that the GCC looked at the EU as a model of a community of states for its own internal organization. The level of EU integration inspired several initiatives, successful or otherwise, in the GCC: from pushing towards a currency union, to creating a GCC-wide visa-free system, integrating police and intelligence forces, launching the idea of a GCC-wide army, to trying to speak with a single voice on foreign policy issues. These ideas were, in the majority of cases, championed by Saudi Arabia. In 2011, as a reaction to the growing threats posed by popular uprisings in Bahrain to the GCC ruling establishment, Riyadh went as far as to put forward the idea of creating a Gulf Union. The idea was re-launched in 2013, when rumours of on-going negotiations between the P5+1[41] and Iran anticipated what happened in the 2015 agreement with Iran. As Saudi Arabia's archenemy was taken out of a decades-old isolation its regional ambitions were revitalized too.

However, not everybody in the Gulf felt the same pitch. Oman, who was also serving as a mediator for negotiations with Iran, publicly rebuked the 2013 idea of a Gulf Union, when the

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[41] The P5+1 refers to the UN Security Council's five permanent members (the *P5*); namely China, France, Russia, the United Kingdom, and the United States; plus Germany tasked since 2006 to lead the in diplomatic efforts with Iran with regard to its nuclear program.

Omani foreign minister, Yusuf bin Alawi, said: "We will not prevent a union, but if it happens we will not be part of it." Indeed, Muscat had multiple concerns. First of all, like other smaller Gulf States, recognising the imbalances of power between them and Saudi Arabia, Muscat fears that Riyadh might come to see its neighbourhood only in terms of an extension of its own influence, affecting Muscat's autonomy in regional policies. Oman is the only GCC member state not to partake in the war to restore the rule of the Abd Rabbo Mansour Hadi government in Yemen and to maintain an open dialogue with Syrian President Bashar al-Assad. In addition – and complement – to that, Oman was very wary of damaging its own position of neutrality between Saudi Arabia and Iran and wanted to preserve its good relations with Tehran, especially while serving as a mediator between Tehran and the P5+1. However, its firm opposition to the Gulf Union project, led several analysts to speculate on whether the disintegration of the GCC might begin with Oman.

This speculation was reinvigorated in the wake of the Brexit vote, even more so considering the powerful echo that the vote has had in Oman, a country very tightly linked to the UK. On June 24, the day after the vote, the Omani Ministry of Foreign Affairs said on its Twitter account that the British people "took a courageous decision to leave the EU, which some would explain as a decisive reaction to some of the policies imposed by European Commission." The tweet was widely interpreted as a jab at the GCC. Ishaq Al Siyabi, former vice-chairman of the Shura Council, chimed in by tweeting on the same day his hopes for Oman to hold a similar referendum determining its fate in the GCC. "The GCC hasn't achieved all the goals in the past years and the GCC people do not feel the direct results of that," he said. Oman's Foreign Ministry has since refuted rumours about the country's desire to leave the GCC or hold referendum on its membership in the bloc. It is indeed unlikely that Oman, or any other smaller GCC state, would leave the bloc, especially in such turbulent times for the region. However, an unmistakable message has been sent.

Outward-looking reverberations

Once the UK leaves the EU, one of the biggest consequences will be the impact on Brussels and London's foreign relations in the wider Middle East. The EU has been for decades slowly trying to build a common foreign and security policy. In particular, after the signing of the Lisbon Treaty and its entry into force in 2009, the EU has developed common foreign policy

and security tools and agreed to have its own, unified, Global Strategy. Despite this, the reality is that foreign policy has remained the domain of individual states who influence Brussels more significantly than they are influenced by it. With specific reference to the wider Middle East region, EU efforts toward a unified approach have always clashed with individual member states' interests and existing relations. This is particularly true in the cases where such relations were stronger, as with the UK.

The UK has traditionally had significant political capital and a strategic set of alliances of its own, built on historic relations and substantial trade and investments ties, in particular with the GCC countries. This reality has consistently made the UK a pragmatic player inside the EU. London has worked to tone down a tougher approach advocated by some European states with respect to human rights standards, an approach contributing to the block of the EU-GCC Free Trade Agreement and obstructing the deepening of a political dialogue and security cooperation. In a post-Brexit context, we can then expect voices critical of the GCC to have a stronger influence over Brussels' policies. For example, last February the European Parliament voted by a large majority for an EU-wide ban on arms sales to the Saudi Arabia, criticizing the outcome of "Saudi-led military intervention in Yemen" and expressing their deepest concern over the humanitarian situation in Yemen. Although this is a non-binding resolution, mostly designed to put political pressures on both European countries trading arms with Riyadh and unlikely to be followed by an executive decision, the UK government was one of the most vocal opponent of such stances. In a post-Brexit Europe we could definitely see a reinvigorated push towards a settlement in Yemen. Furthermore, the UK, due to its close partnership with Saudi Arabia, was one of the few big European powers to remain hesitant towards strengthening relations with Iran. In the future, EU institutions will have more freedom to pursue a comprehensive dialogue with Tehran.

On the other hand, individual European countries will continue, as was already the case, to cultivate interests-based bilateral relations with the Arab monarchies of the Gulf, putting

European capitals in ever harsher competition with the UK. At the same time, the UK will likely be in a compelling position to compromise: offering more to its GCC partners, but with a more limited scope of capacity. Indeed, London is expected to pursue, to a larger extent, its national interests in the wider Middle East region. It is expected to strengthen its relations with Anglophone countries and existing partners, such as the GCC, align more with their policies and show a renewed emphasis on the economic perspective on foreign and security affairs, and a weakened importance of value-based policies.

To sum up, it is likely that Brexit will offer challenges and opportunities for the external relations of the GCC countries. Bilateral relations with the UK might come out stronger, with the economic benefits that this can trigger, encouraging other European countries to also double down on their outreach to the Gulf capitals. At the same time, the GCC countries would be even less motivated to reach out to the EU, a more problematic interlocutor than individual member states. Betting increasingly on bilateral relations would not only negatively affect the ability to develop long-term strategies but also further weaken the model of a community of states that the EU was supposed to represent in the Gulf. Therefore, it is fair to assume that, giving the existing concerns, moving further away from a region-to-region formula for dialogue can represent a significant encouragement towards the fragmentation of political relations within the GCC too.

Brexit: A Gift for Russia

Leah Sherwood, Deputy Director of Research, TRENDS Research & Advisory

The pipedream Leavers in Britain's Referendum suffer from a belief that exit will free up the considerable funds it had been sending to Brussels, which will enable it to reassert itself on the world stage as a strong power unimpeded by EU bureaucracy. The reality is that Britain will be weaker and isolated and the two separate recent EU and NATO summits had to factor Brexit in to the agenda, which initially were set to push reforms to reduce Europe's reliance on Washington for defence, but ended up with Brexit taking up much of the agenda. Officially, the NATO summit in Warsaw focused on deterring bellicose Russian foreign policies, supporting Ukraine and Afghanistan, and defending Baltic NATO members. As part of that 'resist Russian approach,' NATO and the EU formalized cooperation from the Baltics to the Aegean, which at the EU level, includes a defence fund to pool resources for helicopters, drones, ships and satellites. However, in the corridors, anxiety about Brexit was palpable.[42] "We are at a NATO meeting but most of the discussions have not been about NATO issues, they have been about the outcome of the referendum and the consequences," Britain's Foreign Secretary Philip Hammond said after a dinner with his 27 NATO counterparts.[43]

Prior to Brexit, the US thought Britain would bridge NATO and the EU in the effort to challenge Russia, but also confront the myriad of other security challenges facing the western alliance, and this would allow the US to focus on other issues such as a resurgent Taliban in Afghanistan and China's militarization of the South China Sea, for instance. However, after Brexit, "Things are going to be a lot harder," said a senior Western defence official involved in EU-NATO cooperation.[44] "NATO planned on linking itself up to a stronger EU, not being the default option for a weakened, divided bloc." Indeed, for years, the Kremlin has tried to weaken the

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[42] Robin Emmott, "Brexit casts doubt over new EU and NATO defense strategy" *Reuters* 28 June 2016, http://www.reuters.com/article/us-britain-eu-defence-analysis-idUSKCN0ZE0LE.

[43] Paul Taylor and Robin Emmott, "Brexit anxiety eats into NATO summit" *Reuters*, 9 July 2016, http://uk.reuters.com/article/uk-britain-eu-nato-idUKKCN0ZP0CA.

[44] Robin Emmott, "Brexit casts doubt over new EU and NATO defense strategy" *Reuters*, 28 June 2016, http://www.reuters.com/article/us-britain-eu-defence-analysis-idUSKCN0ZE0LE.

NATO alliance and the EU, scarcely with any success. Now, it can watch it happen all by itself. The political establishment in Russia celebrated the vote – that says something.

Aside from the economic consequences, weakness caused by Brexit is a serious blow to EU security and defence plans, which aim to establish military autonomy from NATO and become a more powerful player on the global stage. The EU's Global Strategy report, released 28 June outlines new foreign policy and security proposals for the EU.[45] It was kept secret as fears that it could add fuel to the 'Leave' fire in Britain as the referendum approached because it called for the creation of an EU army, which Britain would contribute heavily to if it remained part of the EU. On 26 June, Elmar Brok, head of the European Parliament Committee on Foreign Affairs, said that the EU needs a common military headquarters, a symbolic step intended to pave the way for a united EU armed force.[46] The emblematic effort, which urges governments to coordinate defence spending, has strong support from Germany and France. But it could look hollow without Britain, which has the largest military budget in the EU and is one of five EU states with the resources to conduct an overseas military mission.[47] In the past, Britain has been a big contributor to EU-led operations, supplying assets and covering approximately 15 percent of the costs.[48]

If the EU's Global Strategy was in part a response to so-called Russian aggression on the eastern borders of the bloc and extremist terrorism on the continent, both which have the fragmentation of Europe as a strategic goal. But, it is also a plan to move away from the effect of US dominance in NATO and consequences of the social and political turmoil in the Middle East and Africa creating a refugee crisis in Europe. The strategy highlights a need for the EU to develop additional defence capacity beyond NATO on various security issues and develop an ability to "act autonomously if and when necessary." It seeks the capability "to repel, to

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[45] European Union, *Shared Vision, Common Action: A Stronger Europe* =, June 2016, https://europa.eu/globalstrategy/en .

[46] "EU army? New security strategy says bloc should 'go beyond NATO'", *RT News Online* 29 June 2016 https://www.rt.com/news/348927-eu-security-strategy-army/ .

[47] Robin Emmott, "Brexit casts doubt over new EU and NATO defense strategy" *Reuters* 28 June 2016, http://www.reuters.com/article/us-britain-eu-defence-analysis-idUSKCN0ZE0LE.

[48] Robin Emmott, "Brexit casts doubt over new EU and NATO defense strategy" *Reuters* 28 June 2016, http://www.reuters.com/article/us-britain-eu-defence-analysis-idUSKCN0ZE0LE.

respond and to protect" on its own by promoting closer military cooperation within the EU.[49] The report says "An appropriate level of ambition and strategic autonomy is important for Europe's ability to foster peace and safeguard security within and beyond its borders," but it simultaneously confesses it faces an "existential crisis" and Brexit is no small part of that fact.

For Moscow, Brexit will weaken resolve on the enforcement of sanctions levied against it in response to the military intervention in Ukraine. "Without Britain, there won't be anybody in the EU to defend sanctions against us so zealously," Sergey Sobyanin, the mayor of Moscow, wrote on Twitter.[50] "What makes it depressing is that this was an unforced error...this is a benefit to him *[Putin]* without him having to do anything "said Derek Chollet, now at the German Marshall Fund of the US.[51] Former US Ambassador to Russia, Michael McFaul, agreed saying "Putin benefits from a weaker Europe. UK vote makes EU weaker. It's just that simple."[52] Jens Stoltenberg, NATO's Secretary General says a strong UK in a strong Europe is good for the UK and it's good for NATO, because "we are faced with unprecedented security challenges, with terrorism, with instability and an unpredictable security environment, and a fragmented Europe will add to instability and unpredictability."[53] Brexit thus gives Moscow leverage and geostrategic opportunity.

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[49] "EU army? New security strategy says bloc should 'go beyond NATO'", *RT News Online* 29 June 2016 https://www.rt.com/news/348927-eu-security-strategy-army/ .

[50] Dan de Luce, Paul McLeary, "Brexit Is Good News for Russia but a Headache for NATO", *Foreign Policy* 26 June 2016, http://foreignpolicy.com/2016/06/26/brexit-is-good-news-for-russia-but-a-headache-for-nato/ .

[51] Ibid.

[52] Michael McFaul @McFaul, Twitter, 24 June 2016, https://twitter.com/McFaul/status/746348657650208768 .

[53] Julian Broger, "Nato chief says UK staying in the EU is key to fighting terrorism", 22 June 2016, https://www.theguardian.com/world/2016/jun/22/nato-chief-says-uk-staying-in-the-eu-is-key-to-fighting-terrorism .

The UK is the biggest force provider among European NATO allies, so it matters what the UK does. For NATO, UK leadership inside the EU has been advantageous because it is a strong advocate for transatlantic cooperation and EU-NATO cooperation both from inside NATO and from inside EU. Furthermore, Britain's vote to leave the EU undermines it as a key US ally in Europe.[54] In the EU context, Britain's strategic value to the US was principally its ability to exert almost undue influence over the EU security approach, convincing the EU members to support the US' tougher line in Afghanistan to confronting Russia, for example. With one of the key influencers in NATO gone, NATO's cohesive approach is diluted, a hazardous development for European security as a whole. Brexit had the effect of leaving the continent more at odds than ever and preoccupied — just the way Putin likes it.

Despite the upset Brexit causes the EU, it is important to remember that Brexit does not mean Britain leaves NATO. In fact, the day after the vote, NATO Secretary-General Jens Stoltenberg issued a statement affirming the outcome did not affect Britain's status within the alliance. As London "defines the next chapter in its relationship with the EU, I know that the United Kingdom's position in NATO will remain unchanged," Stoltenberg said.[55] However, Britain's plans to considerably increase military spending rates over the next decade after years of deep cuts will likely be another victim of Brexit and consequence for NATO as well as the EU by extension. If forecasts are accurate, the British economy may shrink by up to 6 percent, exhausting what would have been allocated to a defence budget.[56] Already in 2010, the Strategic Defense and Security Review (SDSR) outlined cuts to the British Army. Military spending declined 8 percent between 2010 and 2015, with 31,000 service members cut from the force during major spending cutbacks across the government.[57] EU defence has to become more credible to maintain a healthy transatlantic partnership with the US. There are

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[54] Ibid.

[55] NATO Newsroom, "NATO Secretary General's statement on the outcome of the British referendum on the EU", 24 June 2016, http://www.nato.int/cps/en/natohq/news_132769.htm .

[56] Jenny Gross and Jason Douglas, "Brexit Would Lead to 6% Drop in U.K. GDP, Government Warns", *Wall Street Journal*, 18 April 2016, http://www.wsj.com/articles/u-k-government-says-exit-from-eu-will-cause-economy-to-shrink-6-by-2030-1460968985 .

[57] Mix, D. (2015). *The United Kingdom: Background and Relations with the United States*. April 29, 2015, 7-5700/ RL33105. Congressional Research Service.

tensions around defence funding and where it is allocated. Currently, the US subsidizes European defence by massively outspending all other NATO members, including the UK. The US provides roughly three quarters of the bloc's spending while the UK contributes only about 7 per cent.[58] The EU's global strategy openly calls for EU states to increase their defence spending, including more funding from London, and asks for states to invest in the establishment of a European defence industry, which could underwrite the union's future military autonomy. But, times are tough and European demagogues exploiting populist prejudices are unlikely at this time to support investment in EU-centric defence spending budgets making EU defence trickier, a reality compounded by Brexit.

Stoltenberg stated "The UK is a kind of bridge between the EU and NATO and also a bridge between Europe and the US...and this is important for UK, the US and for NATO...no one of us has all the tools in the toolkit, so we have to work together and the UK is a key ally in facilitating that."[59] Brexit leaves EU defence plans shattered, weakens EU-NATO cooperation, which serves US interests as well as western interests generally. Certainly, Brexit means that the US' voice on EU Councils will be far less influential and Turkey's bid for EU membership will suffer a setback.[60] The structure and constitution of the deterrence strategy outlined at the NATO Summit in July is now more incongruous. It also undermines security in the face of a resurgent Russia, which stands to gain from the Brussels-London divorce. Although technical plans were made at the NATO Summit, including concrete numbers of troops, rotating battalions and a "Readiness Action Plan" for example, the bigger issue lays in a lack of cohesion – the fact that is an array of voices in defence matters and interests converge, but also diverge. With no bespoke EU defence autonomy in the increasingly fragmented EU, truncated from the UK now, on top of the continuation of US-dominated NATO driving European security outcomes all stresses European defence policy.[61] This is coupled with the

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[58] Jon Greenberg, Sanders oversimplifies U.S. share of NATO, *Politifact*, 19 April 2016, http://www.politifact.com/truth-o-meter/statements/2016/apr/19/bernie-s/sanders-oversimplifies-us-share-NATO/ .

[59] Broger, "Nato chief says UK staying in the EU is key to fighting terrorism".

[60] Taylor and Emmott, "Brexit anxiety eats into NATO summit".

[61] Danny Kemp and Andrew Beatty, "Obama downplays Brexit impact on NATO Summit", *DefenseNews*, 8 July 2016, http://www.defensenews.com/story/defense/omr/roadtowarsaw/2016/07/08/nato-russia-obama-brexit-warsaw/86854618/ .

fact NATO itself suffered a setback as a result of changes to the UK's previous support role bridging EU-US-NATO and offering a cohesive, unified voice.

In the end, NATO's Strategic Concept highlights the importance of a strong EU and cooperation between the EU and NATO. This is while the EU's Global Strategy stresses the need to develop a separate defence capacity outside NATO, which necessarily would subtract the already meagre contributions of EU states to NATO's overall budget, weakening it. Brexit took the wind out of the EU's defence sails and Britain, as a pillar of EU-NATO-US cooperation, ultimately undermined it by removing itself from the EU. These are challenging times for EU leaders. At a time when the purpose, even existence, of the EU being questioned, Europe is becoming more unstable and insecure with crises within and beyond its borders. The way forward is as unclear as the future, but in the short and medium term – if not the long term – the clear geostrategic win is for Russia and Moscow did not have to do anything to gain it. No wonder they are drinking more vodka in the Kremlin than usual, this is a rare sort of victory.

Brexit – A Setback to European Counterterrorism from Intelligence and security Perspectives

Chikara Hashimoto, Non-Resident Fellow, Intelligence & National Security

The British public decided to leave the European Union. Britain is likely to be leaving the European Union. Before the referendum, public debates were almost exclusively centred upon whether Britain would control immigration through border control and visa issuances. These discussions are mostly speculative. What would actually happen to immigration in Britain as a result of Brexit remains to be seen. Nevertheless, there are likely dire implications for intelligence and security, especially counter-terrorist efforts, as a result of Brexit.

Intelligence is the first line of defence against terrorism. Without intelligence, security authorities are unable to identify terrorist cells, let alone prevent and disrupt their activities. In this, intelligence cooperation is central to the fight against transnational terrorist threats. Intelligence cooperation within the EU has come a very long way especially in the past decade. As evident from the recent terrorist atrocities in Paris and Brussels, EU intelligence and security capabilities are far from perfect. But while intelligence-sharing within the EU has not had a particularly good past record, the perception that intelligence and security services within the EU do not work together is no longer valid. As a consequence of the terrorist attacks in Paris and Brussels, police services have greater incentives to cooperate with security services throughout the EU. Nigel Inkster, a former director of the British Secret Intelligence Service (SIS), noted 'a new level' of operational cooperation in the fight against the transnational jihadi terrorist threats generated by Daesh/Islamic State (IS).[62]

Under the EU framework, there are hubs of intelligence and security networks where intelligence-sharing and cooperation occur at various levels. Europol, for instance, remains one of the most important pillars in counter-terrorism and institutionalised forms of collaboration within this framework, where intelligence data are shared among individual EU member states. One of these datasets is the Schengen Information System which contains

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[62] http://www.iiss.org/en/publications/survival/sections/2016-5e13/survival--global-politics-and-strategy-june-july-2016-ae7e/58-3-04-inkster-cm-3caf

'64m pieces of information', known as 'alerts', being used by twenty-nine European countries, including the UK.[63] The alerts include a blacklist of terror suspect names for use in immigration control or law enforcement by individual states, as well as other information on '35,000 criminal suspects'; '88,000 missing people'; and nearly '500,000 non-EU citizens denied entry to Europe'.[64] Brexit means that Britain would lose direct access to this vast dataset, or would at least be downgraded to a 'second-tier' member of this club. Although it is easily envisaged that Britain would endeavour to maintain access on an ad-hoc or bilateral basis, it is safe to assume that Britain would not no longer enjoy full access to this valuable source of anti-terror intelligence.

Brexit will have other implications in Britain's fight against terrorism. Countering terrorist threats often means collecting and piecing together a jumbled-up jigsaw puzzle. Even if the puzzle is nearly complete, missing a small piece of information can potentially be fatal. This is especially so in the case of actionable intelligence – timely-intelligence upon which security forces can identify terrorist cells in society and thwart terrorist activities in advance. The collation of these pieces (including names in blacklists or watch-lists, terror sympathisers, threat assessment reports, and situation reports) should not be confined to one agency or any single form of intelligence but must include various sources across the national borders. British intelligence and security services, also its police forces, have been operating at various levels through liaison officers attached to their counterparts in local authorities across the EU to collect and collate small pieces of information into this larger jigsaw puzzle. Brexit means that, although their liaison connections might not be cut off completely, the flow of intelligence from Britain's liaison partners is likely to be strained.

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[63] Although the UK is not part of the Schengen Agreement, it has campaigned hard for access to the data – and it was recently granted access by the other states.

[64] http://www.theguardian.com/politics/2016/jun/22/europol-chief-says-brexit-would-harm-uk-crime-fighting

There are also implications for European counter-terrorism efforts, too. Britain has been a valuable provider of intelligence to her European counterparts in past decades – Britain is 'an intelligence superpower' within the EU, as Nigel Inkster put it.[65] This mainly comes from her special connection to the United States, a so-called 'special intelligence relationship' that has been developed since the Second World War through the UK/USA Agreement, and later expanding to the Five Eyes alliance of Anglo-Saxon nations with the inclusion of Canada, Australia and New Zealand for signals, and even wider, intelligence cooperation. In addition, Britain has traditionally and historically enjoyed a better position to comprehend Middle Eastern affairs than her European counterparts, through better language expertise and religious communities, and also intelligence collection capabilities in the region.[66] It is likely that EU countries will see a negative impact from their loss of British intelligence-sharing in the coming future.

As a result of Brexit, cooperation in intelligence-sharing would not necessarily be obligatory but instead voluntary at best and on an ad-hoc basis. It would have to be maintained by mutual trust. Indeed, so long as the international community is committed to the fight against transnational terrorist groups, intelligence cooperation between the UK and European countries must continue, but it will not be the same as before in terms of the scale of their collective efforts.

Moreover, Brexit means that Britain is out of the EU framework on counterterrorism policy. The British approach to terrorism differed from her European counterparts in the maintenance of internal security by the British Security Service, MI5, and police.[67] Europeans may still need to learn from the British approach and her rich experience in fighting the Provisional Irish Republican Army (PIRA). Nevertheless, sound coordination is now unlikely

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[65] https://www.iiss.org/en/iiss%20voices/blogsections/iiss-voices-2016-9143/march-71d7/terrorism-europe-and-brexit-c6ab

[66] http://www.iiss.org/en/publications/survival/sections/2016-5e13/survival--global-politics-and-strategy-june-july-2016-ae7e/58-3-04-inkster-cm-3caf

[67] http://www.iiss.org/en/publications/survival/sections/2016-5e13/survival--global-politics-and-strategy-june-july-2016-ae7e/58-3-04-inkster-cm-3caf

between the UK and a majority of EU countries at the policy level, as well as at the operational level. The differences are likely to be widen as the reality of Brexit sets in.

So, what would be the implications for the world and the GCC region? There has been a joint effort by the EU countries to fight against the Islamic State. With the memories of the atrocities in Paris and Brussels, the Europeans are determined to fight against transnational jihadi terrorist groups. After a series of investigations, it is now clear that the culprits of these terrorist attacks in Paris and Brussels had direct links with Daesh/IS.[68] Nevertheless, the new Daesh/IS taskforce that was to be implemented may not come to light as a result of Brexit. An alternative plan would have to be implemented but likely on a smaller scale. Brexit means that EU counter-terrorist efforts will be slowed or scaled down where it would otherwise have been strengthened or better orchestrated. Indeed, the impact of the EU counter-terrorist efforts would have been minimum on Daesh/IS itself, given the fact that the main objective would primarily be to secure internal security of EU countries, not directly attacking Daesh/IS. Nevertheless, there is a blow to the Common Security and Defence Policy of the EU, and the collective efforts against Daesh/IS will be weakened. This means that Daesh/IS will continue to threaten the world and the GCC region as before. It may even enjoy more freedom to commit more atrocities not only within the EU but also beyond.

As a result of Brexit, the future of intelligence and security in Britain and EU countries remains to be seen. Intelligence rarely features in public discussions. Nevertheless, the significance of intelligence, especially intelligence cooperation against terrorism, should not be underestimated.

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[68] https://www.theguardian.com/world/2016/mar/25/police-arrest-men-brussels-paris-terror-attacks

Brexit and the Lancaster House Agreement

Christopher Griffin, Non-Resident Fellow, Strategic Studies and Counterinsurgency

Leaders from the UK and France recently came together to commemorate the anniversary of the Battle of the Somme. The battle is remembered for the deaths of nearly 20,000 British soldiers on the first day of fighting, 1 July 1916, the highest absolute losses for any single day in British military history. What is less remembered by historians and the general public is that the Somme was a combined British and French operation, with the French fighting in the sector south of the main British effort.[69]

The image of British and French soldiers fighting together is not unusual in the twentieth and twenty-first centuries, and reflects largely what historian Michael Howard calls the 'continental commitment' of the British Army since World War I. Howard, writing in 1972, believed that despite the necessities of imperial defense in the first half of the twentieth century, Britain could not isolate itself from political and military conflicts on the European continent.[70] After the end of World War II, this continental commitment continued with British participation in NATO European defense, with a significant troop presence in West Germany. In recent years, Britain and France also made efforts to increase military cooperation, culminating in the Lancaster House Agreement in November 2010.[71] The Agreement makes it clear that the Franco-British strategic relationship is essential both for NATO and for the European Union's Common Security and Defense Policy (CSDP).

How will Brexit affect the Lancaster House Agreement and the UK's commitment to the European continent? Many analysts believe, given Lancaster House's existence outside of the EU treaty system and CSDP, that Brexit will have little or no effect.[72] French strategic analyst

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[69] David Stevenson, *1914-1918: The History of the First World War* (London: Penguin, 2012), 169-170.

[70] Michael Howard, *The Continental Commitment* (Bristol: Western Printing Services Ltd., 1972).

[71] Treaty between the United Kingdom of Great Britain and Northern Ireland and the French Republic for Defence and Security Co-operation, 2 November 2010, entered into force 1 July 2011, *Treaty Series No*. 36 (2011), Cm 8174.

[72] Jean-Pierre Maulny, "Le Brexit peut-il tuer Lancaster House?" IRIS (22 June 2016), http://www.iris-france.org/78039-le-brexit-peut-il-tuer-lancaster-house/.

François Heisbourg has even suggested that Brexit could enhance Franco-British strategic cooperation.[73] French Defense Minister Jean-Yves Le Drian stated after Brexit that Britain remains the most 'credible' partner for France in defense, and that 'we need the British and will continue' cooperating.[74] Many believe that despite the negative economic effects that surfaced immediately after the Brexit referendum, the security realm will be little affected by the decision.

There are two areas, however, where Brexit may create problems for Franco-British military cooperation. First, Brexit comes in a context of a greater decline in Franco-British operational cooperation since 2011. Second, Brexit will affect the areas of the treaty that were designed for integration into EU defense institutions.

The Decline of the Franco-British Security Relationship since 2011

The commitment of the UK to the European continent is already overstated today, as the

British Army began the process of withdrawing from Germany in 2015, a rebasing effort set to be completed in 2020. The withdrawal reflects large cuts in the British Army laid out in the Strategic Defense and Security Review

(SDSR) of 2010 and the Army 2020 document of 2013 for the shape of the future forces.[75] The new SDSR of 2015 was at one point believed to call a halt to this withdrawal, but that no

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[73] François Heisbourg, "Brexit and European Security" 58 *Survival: Global Politics and Strategy* (2016) 13, https://www.iiss.org/en/publications/survival/sections/2016-5e13/survival--global-politics-and-strategy-june-july-2016-ae7e/58-3-03-heisbourg-cm-0032.

[74] Michel Cabirol, "Brexit : Paris veut garder sa relation stratégique dans la défense avec Londres" *La Tribue Online* 24 Juney 2016, http://www.latribune.fr/entreprises-finance/industrie/aeronautique-defense/defense-paris-souhaite-garder-sa-relation-strategique-avec-londres-582045.html.

[75] HM Government, *Security Britain in an Age of Uncertainty: The Strategic Defence and Security Review* October 2010, Cm 7948, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/62482/strategic-defence-security-review.pdf; Army Headquarters, *Transforming the British Army: An Update – July 2013*, http://www.army.mod.uk/structure/33449.aspx.

longer seems to be the case.[76] Ten thousand British soldiers have returned from the continent since 2010.

The withdrawal of British forces from Europe contradicts the Brexit campaign's fear of a EU Army as does the failure of the EU Battlegroups program.[77] Lancaster House appears on the other hand to have come about due to the realization in Paris and London that the efforts to create any sort of common European force under CSDP had failed, and that an alliance between the two countries could compensate in part for this failure. Lancaster House, at least in theory, gave both countries greater strategic capabilities as well as greater power in NATO decisions.

The problem is that Lancaster House has not worked properly since 2011. The key part of the agreement is in Article 1, Objective 3, which states that the two countries will commit to 'deploying together into theatres in which both Parties have agreed to be engaged…as well as supporting, as agreed on a case by case basis, one Party when it is engaged in operations in which the other Party is not part'. In Libya in 2011, both countries cooperated, but the conflict demonstrated that the UK remained more oriented toward NATO and the U.S., while France still concentrated on the EU.[78]

The second test of the Agreement was in Mali in 2013 when France deployed several thousand soldiers to defeat the jihadist groups attacking Bamako. Under Lancaster House, Britain should have sent a brigade to help the French or at least have provided combat and logistics support. In practice, the British did the latter, but its support was limited. The Belgian political scientist André Dumoulin accused French partners in the conflict of adopting 'no risk

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[76] HM Government, *National Security Strategy and Strategic Defence and Security Review 2015* November 2015, Cm 9161,
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/478933/52309_Cm_9161_NSS_SD_Review_web_only.pdf .

[77] The EU Battlegroup program was intended to create multinational rapid reaction forces of about 1,500 soldiers on six-month rotations for immediate deployment in crisis situations. No battlegroup has ever been deployed, and the larger rapid reaction force envisaged in 2003-2004 was never created.

[78] Benoit Gomis, "Franco-British Defence Cooperation after Libya" Chatham House (2 November 2011) https://www.chathamhouse.org/media/comment/view/179253# .

policies' in their logistics support.[79] The dispute over the intervention in Syria in 2013, in which France was ready to go to war, but in which the British declined also demonstrated problems in the operational relationship.[80] The effects of inter-allied disputes over the Syrian conflict have been largely overlooked in analyses of the Lancaster House Agreement to date.

Franco-British operational military cooperation has been uneven since 2011, and has largely reflected a strategic situation in which France provides the ground troops and Britain (and the U.S.) provides logistics support. Brexit could exacerbate this problem in that political disputes over EU issues could create further divisions in the security relationship between the two countries.

Specific EU Aspects of Lancaster House

There are specific parts of the treaty that are designed to work within the EU institutions. Logically, cooperation in those areas will be likely be affected most by Brexit. As analyses of the issue tend to look at the treaty as a whole, this particular issue has been largely overlooked.

The first objective outlined in Article 1 will likely be affected less, as it has to do with pooling resources to 'perform the full spectrum of missions'. The problem, however, for this objective and objective 2, 'reinforcing the defense industry' of the two countries, is that the British withdrawal from the Single Market will make it harder for British and French companies to invest in each other's markets, build and maintain production facilities, create partnerships and get visas for workers. The loss of privileged access to the EU markets may also force British defense companies to reorient a greater part of their production for sales to non-EU markets, which would reduce the emphasis on developing capacities for cooperation with France.

Objectives 3 and 5 also insist on the 'complementarity between the North Atlantic Treaty Organisation and the European Union' in security areas. Britain's departure from the EU and CSDP, as well as the emphasis in the Brexit campaign on the so-called threat of an 'EU Army'

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[79] André Dumoulin, "Mali et Union européenne ou les poupées gigognes de la sécurité" *Défense & sécurité internationale* March 2013, http://orbi.ulg.ac.be/handle/2268/164051 .

[80] Maulny, http://www.iris-france.org/78039-le-brexit-peut-il-tuer-lancaster-house/ .

would mean this 'complementarity' is no longer a given. A potential problem could be then in the differences over definition of missions for international intervention in NATO and in CSDP, with the UK following one set of guidelines and France the other. The potential for strategic incoherence would become fairly high, as NATO's mission of collective security is not always compatible with either French interests or the priorities of the CSDP's new Global Strategy.[81]

A final issue is intelligence cooperation between Britain and France, which is particularly important in the face of the threat from Daesh. In this case as well, the outlook after Brexit is not good. France is already excluded from the 'Five Eyes' intelligence program, which coordinates information between the US, the UK, Canada, Australia and New Zealand. Britain's departure from the EU means it will be excluded from Europol and possibly from the network of (albeit limited) intelligence sharing between EU countries regarding terrorism in particular.[82] This means that the exchange of information between France and the UK will be extremely difficult, even though it is stipulated in the Lancaster House Agreement.

The Brexit referendum could potentially have significant long-term effects on Franco-British security cooperation. The initial reaction to Brexit in France has been bitter and hostile, despite President François Hollande's efforts to state that Britain is 'a friendly country'. The current hostility is unlikely to help deepen the security relationship, at least in the short-term.

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[81] European Union, *Shared Vision, Common Action: A Stronger Europe*. June 2016, https://europa.eu/globalstrategy/sites/globalstrategy/files/about/eugs_review_web_5.pdf.
[82] Jennifer Rankin, "Europol Chief says Brexit would Harm UK crime-fighting" *Guardian Online*, 22 June 2016, http://www.theguardian.com/politics/2016/jun/22/europol-chief-says-brexit-would-harm-uk-crime-fighting .

Britain leads the European Union: into uncharted waters.

Geoffrey Harris, Non-Resident Fellow, EU Politics and International Relations

The Treaty on European Union (Lisbon Treaty) which entered into force in 2009 contained for the first time a provision establishing a procedure whereby a country could seek to leave the EU. Even at that time nobody expected this procedure to be put to the test so soon. For some it was linked to other articles in the Treaty which foresaw the possibility of taking action against a country which seemed to fall short in respecting the basic principles on which the Union is founded-democracy, the rule of law, freedom of expression.

It is, therefore, a somewhat bitter irony that the United Kingdom, a country which has never been suspect in this regard should be the first to take up this option. Indeed, many see Britain as the world's oldest democracy, the one country which stood alone in 1940 against Nazi Germany, a founding member of NATO and a pillar of the West during the Cold War decades which ended in 1989. In the post - Cold War years Britain championed EU enlargement and many of its friends in the Central and East European countries concerned now view its decision to leave the EU with consternation and anxiety. Slovakia the current Presidency country of the EU has said it will do what it can to stop this dramatic development coming about. A week after the UK referendum its Foreign Minister stated that he

> "would support any measure that will help reverse the position of the British people, which we have to respect but also regret. I deeply regret it – an EU with a UK is a better EU – but it's in the hands of the British people and politicians."[83]

For the moment, such a change of course seems hard to imagine but as the BREXIT vote is best seen as a political earthquake it has to be taken into account that further surprises may be down the road with secession negotiations not expected to start till 2017 with a likely duration of 2-3 years leaving aside an uncertain ratification process. The new British Prime Minister has indicated that she needs to define the goals of her negotiations before initiating

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[83] "Slovakian Foreign Minister: I will support any measure to stop Brexit" *Guardian* 30 June 2016, https://www.theguardian.com/world/2016/jun/30/slovakia-foreign-minister-eu-support-measure-stop-brexit.

the Article 50 procedure. The EU institutions with some reluctance accept this delay but have been setting up structures to handle Britain's request to leave once it arrives. Brexit may well mean Brexit as Ms. May insists but the content of the new relationship between the UK and the EU 27 is far from clear and, anyway, is not something for the UK to devise by itself.

How things play out will have implications for transatlantic relations. Prior to the June 23rd vote the United States Administration certainly backed former Prime Minister Cameron in his efforts to get a majority for a *remain* vote. As opinion polls showed growing support for BREXIT the US President came to Britain and pointedly warned that the UK would be at the "back of the queue" in any trade deal with the US if the country chose to leave the EU. [84]

In spite of his self-confessed 'temerity' in making such an intervention his words seemed to have little positive impact for the pro-EU side, with some questioning his right to intervene at all. This was itself something of a surprise as many anti-EU politicians always insisted that Britain should be the Americans' primary ally and not risk this special status in any kind of political union with the kind of global role that the EU is clearly developing.

After the vote the President lived up to his reputation as being *Mr. No Drama Obama* rejecting talk of panic and taking an almost detached view seeing the vote as reflecting *"the ongoing changes and challenges that are raised by globalization."* A White House statement covered up any possible anxiety on this historic occasion in rather bland terms.

> "The people of the United Kingdom have spoken, and we respect their decision. The special relationship between the United States and the United Kingdom is enduring, and the United Kingdom's membership in NATO remains a vital cornerstone of U.S. foreign, security, and economic policy.

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[84] Jon Schuppe, "Obama warns Britain on EU "Brexit Vote": 'No Man is an Island'" *NBC News Online* 22 April 2016, http://www.nbcnews.com/storyline/brexit-referendum/obama-warns-britain-eu-brexit-vote-no-man-island-n560551.

"So too is our relationship with the European Union, which has done so much to promote stability, stimulate economic growth, and foster the spread of democratic values and ideals across the continent and beyond. The United Kingdom and the European Union will remain indispensable partners of the United States even as they begin negotiating their ongoing relationship to ensure continued stability, security, and prosperity for Europe, Great Britain and Northern Ireland, and the world."[85]

In fact, the only US politician who had nailed his colours to the BREXIT mast, even ahead of the June 23 vote, was none other than Donald Trump who with consummate skill arranged to be in the UK on the morning after the vote. "People are angry all over the world. They're angry over borders, they're angry over people coming into the country and taking over and nobody even knows who they are."[86]

In this way he linked the UK vote to his own campaign to strengthen US borders and, some would say, his playing on the anger of voters in the face of globalisation. Even if his presence in Scotland on June 24th was a bit odd (this part of the UK seems likely to leave the UK if Britain does leave the EU) it got him on the TV screens and turned BREXIT in a US election issue. He presented the UK vote as a major defeat for the US whose advice had been rejected. Contrary to the supposed threat from the US that the UK would go to the *back of the queue* for any trade deal Republican House Speaker Ryan was quick to argue the opposite. He was quoted by the Washington Post on 29 June as saying "we *should begin discussions with Great Britain to ease concerns so that we do have a smooth trade relationship with Great Britain, because they are our indispensable ally*."

In fact, US trade policy is itself a central issue in the 2016 campaign. Donald Trump has rejected the global trade strategy of the Obama administration. This is based on two major agreements. The Trans-Pacific Partnership has already been negotiated but is blocked in Congress with Trump and the Labour movement in the US seeing it as a threat to American jobs. Hillary Clinton has gone cold on the deal but has not totally rejected it as some of the

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[85] Patrick Hipes, "President Obama on Brexit: "We Respect Their Decision" *Deadline* 24 June 2016, http://deadline.com/2016/06/obama-brexit-reaction-white-house-statement-1201778793/

[86] "Trump welcomes Brexit vote as 'great thing' *EU Observer* 24 June 2016, https://euobserver.com/tickers/133998.

supporters of her left-wing challenger Bernie Sanders have demanded. Britain had been a staunch supporter of the Transatlantic Trade and Investment Partnership for which negotiations have been ongoing since 2013. There is still some hope that they can be concluded later this year, before a new US administration comes into office. In many EU countries opposition to this TTIP agreement has been growing to the extent that threats that Britain would go to the back of any queue seem rather hollow. The Obama global trade agenda has been presented as a geo-economic strategic undertaking designed to maintain western leadership of the global trading system. With the TPP so strongly challenged in the US and the TTIP strongly challenged in Europe, Britain's removal of itself from the EU endangers one of the main elements of the legacy Obama had hoped to lay claim. Ms. Clinton insisted that BREXIT would threaten the global economy and that Trump's remarks just showed he was *unfit for office.* In fact, the threat of recession which the BREXIT vote may have triggered is likely to play into the election campaign as well.

Most American leaders are concerned that whatever the final timing and consequences of the vote for BREXIT EU leaders will find it hard to avoid spending a lot of time on the issue. 2017 is an election year in France and Germany and both countries have far more immediate priorities such as terrorism, immigration and the economy. Once they start the negotiations are bound to be difficult, potentially acrimonious and inevitably divisive even among the remaining EU 27. In principle they should conclude after two years but then all national Parliaments and the European Parliament have to ratify a treaty codifying what has been agreed. French and German Foreign Ministers were remarkably quick with unusual negative comments about the new British Foreign Minister, Boris Johnson and even the State Department spokesman had difficulty in keeping a straight face. Diplomatic niceties have been resumed but any idea that re-defining UK-US trade relations would be easy was put to rest during a recent visit to the US by Britain's new Trade Minister Liam Fox who got the message that until the UK redefines its trade relations with the EU no substantive talks can take place. The UK has also indicated that trade with the Gulf states could be expanded and put on a new basis. China, like everyone else, also has to wait and see whether the UK stays in a Customs Union with the EU which would mean its trade policy would still be in line with EU arrangements. Exiting the EU single market would make things even more complicated for Britain's partners.

This certainly cannot be good news for American leadership and may encourage those who challenge its role in the world. China has always supported European integration and British EU membership but is reportedly sanguine about the growing populist rejection of the whole idea. Anything that seems to weaken the west can be seen as a political windfall for the Chinese leaders as such developments undermine attempts to promote democracy and universal values around the world. Russia may also seek to profit from this turn of events as it may weaken EU unity over Ukraine in which the UK had been a strong supporter of sanctions at a time when voices in France, Germany and elsewhere express readiness to turn a page. On the other hand, an economic downturn in Europe could increase the difficulties that both Russia and China have in maintaining domestic stability. The likely negative impact commodity prices will also weaken other emerging economies with all the possible political consequences.

The Iran nuclear agreement in which the UK and the EU played an important role would not seem likely to be affected. The US elections could have more impact in due course.

Mr. Trump has attacked the deal with Iran and is openly questioning the continuing relevance of NATO. Shortly after the referendum the NATO summit in Warsaw tried to send a message of reassurance that it was ready to act in the face of a resurgent Russia.

Whether BREXIT really does, in some way, weaken the global influence of the Western Alliance remains to be seen. For the moment it seems hard to disagree with Anne Appelbaum writing in the Washington Post after the formation of the new UK Government when she is

> "afraid that without the anchor of Europe, the regular meetings with allies, the sheer weight of Germany, France and the rest, the British political class will prove even easier to buy off than ever before. Excuses will be made for Russian aggression in Eastern Europe. Justifications will be given for Chinese aggression in the South China Sea. Foreigners will have an ever greater say in the laws and decisions made inside Britain, too. This is how the world works: If you are no longer trying to set the rules of the game, you have to assume that others will set them instead."[87]

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[87] Anne Applebaum, "New Cabinet may signal Britain's retreat as a Western power" *The Washington Post* 14 July 2016, https://www.washingtonpost.com/blogs/post-partisan/wp/2016/07/14/new-cabinet-may-signal-britains-retreat-as-a-western-power/