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Strategic Insights: Strategic Implications of Brexit

June 24, 2016 | Dr. John R. Deni

The momentous decision of British voters to leave the European Union (EU) is already having major repercussions in both economics and politics. In the former, investors fled uncertainty for more stable opportunities, while in the latter there are already calls for another Scottish independence referendum. In the worlds of defense and security, the implications are less clear, at least in the short run. What appears far more certain though is that the economic and political implications are likely to have profound long-term effects on NATO, U.S. national security, and the U.S. Army's relationship with one of America's closest allies. In response, and in order to mitigate the most damaging effects of the Brexit vote, the United States needs to intensify military cooperation with a longstanding UK rival – namely, France.

Within hours of the publication of results, markets across East Asia, Europe, and the United States fell, and the British Pound dropped to its lowest level since 1985. To stave off the worst, the Bank of England announced **it had earmarked roughly** \$344 billion for potential stability measures. Such short-term reactions to the British vote to leave the EU – or 'Brexit' – may simply reflect shock over the somewhat unexpected result, but they also reflect great concern with and uncertainty over the longer-term trajectory of the British economy.

The implications of Brexit for the UK economy was the subject of heated debate on both sides of the issue. Nonetheless, most of the academic research appears to indicate that at least over the next decade, the UK economy would slow by between 5 and 10 percent. The Economist Intelligence Unit estimated that Brexit would lead to a 1 percent drop in the UK economy next year, and that by 2020 the economy would be 6 percent smaller. The same analysis indicated that both borrowing costs and unemployment would

rise as a result. Elsewhere, one of the most respected foundations in Germany estimated that the British economy would shrink between 0.6 percent and 3.0 percent, with corresponding losses in gross domestic product as high as 14 percent.

Of course all of this assumes the UK remains a 'united' kingdom. In fact, there is great reason to believe that the political upheaval will be as great – and perhaps magnify – the economic upheaval brought about by a Brexit. Given the extraordinarily strong 'remain' vote in Scotland, leaders of the Scottish National Party have already called for another referendum on Scottish separation from the United Kingdom. Meanwhile, 56 percent of Northern Irish voted to 'remain' in the EU, prompting Sinn Fein – Northern Ireland's largest Irish nationalist party – to call for a referendum there on whether to reunify with the Republic of Ireland.

Although Sinn Fein may not realize its wish, there is great reason to think that Scottish nationalists will achieve theirs. If the country in fact breaks apart into two or more entities, the result – when compounded by the expected economic slump outlined above – will be a United Kingdom that is a shadow of itself economically, politically, and militarily for the next decade and perhaps beyond.

The strategic implications of this are relatively straight forward. Simply put, it seems highly unlikely that a rump UK suffering through a decade-long economic downturn will have the economic strength or perhaps the political ability to project military force and influence beyond Europe. Most NATO allies, including the United Kingdom, were just beginning to emerge from the recent period of defense austerity and downsizing, which was originally caused by excessive sovereign debt and exhaustion from far-away wars in two theaters. However, that period is likely to appear as relatively rosy compared to the future now confronting the United Kingdom in terms of defense and security.

A rump UK weakened by economic contraction will necessarily have a smaller defense budget. Subsequently, this may lead to cuts in the number of F35 Joint Strike Fighters purchased, it may fatally undermine London's independent nuclear deterrent, it may cause reconsideration of plans to complete and launch a second Queen Elizabeth-class aircraft carrier, and it could reopen the debate over whether British Army manpower should be cut further. In short, the military forces of a smaller, economically weakened UK are very likely to be smaller and less capable than what exists today.

The inability of a rump UK to project force and influence will inevitably lead to an increasing reluctance on the part of London to independently conceptualize its security interests in broad, global terms. Put another way, if the UK cannot *act* globally, it is unlikely to *think* globally. Certainly a rump UK, like many small NATO allies in Western

Europe today, will view NATO as the key mechanism through which to protect shared transatlantic interests in Europe and beyond, but Washington is likely to lose its security partner of first resort.

This will leave France as the only remaining country in Europe with both the ability and willingness to project influence beyond the continent. The upcoming release of Germany's 2016 Defense White Paper will shed important light on the degree to which Berlin will commit to calls by many at the 2014 Munich Security Conference for Germany to take a more active role in the world. But unless and until Germany takes on greater responsibility, France is likely to become an even more important security partner for Washington than it is today.

In order to better prepare for this future, the U.S. military in general and the U.S. Army in particular would do well to intensify security cooperation, intelligence sharing, technology development, and acquisition collaboration – especially in C4ISR – with France. Similar efforts should be made to maintain the strong interoperability between U.S. and French special operations forces. At the institutional level, increased long-term bilateral personnel exchanges, as well as more extensive use of shorter-term training and military education programs, would benefit both U.S. and French military personnel. Through steps such as these, DoD can build and maintain strategic, operational, and tactical interoperability with France, helping to mitigate the worst of the strategic downsides of the Brexit vote.

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