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Discussion Paper

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Relations and Cross Strait Relations**

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Implications of the Scottish and UK Referendums for Great Power Relations and Cross Strait Relations

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When looking at the management of great power relations, it is always tempting to fall back on a realist framework of international politics that focuses on relationships states as actors. However, history shows that great power relations become hard to manage when shifts in the balance of power are complicated by changes inside domestic political systems.

If the EU can be considered as aspiring to the role of a great power, then it can be expected that great power relations will be affected by radical changes that touch on its evolving identity and issues of nationalism and sovereignty among its member states. Symptomatic of such changes is the plan to hold referenda on Scotland's membership of the UK in 2014 and on the UK's membership of the EU in 2015.

Impact on international norms:

The first way in which these referenda could impact on the relations between great powers is by raising the general discussion of the norm of national self-determination higher up the international agenda. When looking at cross-Strait relations, for example, it should be remembered that the pro-independence movement in Taiwan was given encouragement when the Baltic States and Georgia seceded from the Soviet Union by holding referenda in 1990-91. While the War on Terror encouraged the great powers to subordinate issues of secession and self-determination to those of security after 2001, the UK referenda could start to move it back to the top, especially if it inspires similar initiatives by other member states and sub-national communities.

From a positive perspective, the decision of the UK government to hold referenda might be seen as an example of good practice that can offer lessons for other parts of the world. While the main political parties want Scotland to remain in the UK and the UK to remain in the EU, all recognise the rights of the constituent nations of the UK to self-determination; the amended Article 50 of the Treaty on European Union also recognises the right of member states to leave the union in an orderly, negotiated way.

Impact on foreign trade and investment

The referendum on EU membership also has a number of more direct implications for China and Taiwan. Given the negligible role the EU plays in Asia-Pacific security, these are primarily related to trade and investment. The relatively small size of the UK market is unlikely to be the decisive factor, and even if a withdrawal does occur, it is likely that the UK will want to remain a part of the single European market under EEA or EFTA, much like Switzerland.

More significant is the way in which the UK government will use the referendum as leverage to push for a more open economy. If the UK does not get its way and leaves, then it will regain the capacity to negotiate bilateral agreements on FDI that it lost when the Lisbon treaty entered force in 2009. Despite its small size, it would present a more attractive negotiating partner than the EU, because it is a lot easier to reach a preferential trade agreement with one state than with 28, as shown by the lack of progress in negotiating an EU-China FTA.

This is particularly important for negotiations on market access for service industries, where the UK enjoys the historical advantages of language, time zone, liberal structure of the economy and a large and globalised service sector. At present, it is felt that the UK has suffered disproportionately from the policies of other states, as with the exclusion of audiovisual services from trade liberalisation negotiations with the US following pressure from France, the threat posed to the City of London by proposed EU banking legislation and the recent argument over sanctions on solar panel imports from China.

Impact on Foreign and Security Policy

The implications of the referendum on EU membership are equally intriguing for broader foreign and security policy. When PM Cameron announced the referendum, part of his case for staying inside the EU was that “We have more power and influence - whether implementing sanctions against Iran or Syria, or promoting democracy in Burma - if we can act together”. Yet he also said that this will depend on a process of radical reform that is partly aimed at putting the EU “at the forefront of collective action on issues like foreign policy and trade”.

For the UK, working through the EU provides foreign policy leverage because it provides access to a bigger overseas aid budget and the offer of gaining access to the world’s biggest consumer market. While it remains unclear what the UK agenda might be for a reform of CFSP, it has some leverage because it provides the EU with a rich historical experience of relations with most regions of the world, including the Commonwealth. In the Middle East, the UK has worked with the EU in coordinating policies to dealing with terrorism and states like Iran, Syria

and the Israel-Palestine conflict. The UK also has some leverage as the only member state, aside from France, with a significant military capability.

The UK's own ability to project military power would be largely unaffected by a withdrawal and any negative impact could be balanced through bilateral arrangements with countries such as France. There is also no reason why the UK cannot contribute to EU-led operations that are useful for building stability, such as in the cases of the Balkans, Georgia and Indonesia, the role of the EU in building the capacity of the Afghan national police force and in the international campaign against piracy. Canada, Norway and the US all have framework agreements that allow them to participate in EU military and civilian crisis management operations.

The UK could also continue to play a leading role in rationalising the defence spending of member states under NATO's smart defence agenda and bilateral capability development initiatives rather than CSDP. Like Norway and Switzerland, it could also continue to participate in EDA research and technology projects as a third party country.

The prospect of the UK using the referendum on membership to either leverage changes in the making of EU defense policy or just play a more independent role as an outsider raises the most serious implications for the transatlantic alliance. This is one of the reasons why Germany has expressed some sympathy for the British position, as when Defence Minister Thomas de Maizière told the British press that a UK exit would weaken NATO and that Germany "would lose a strong partner for a pro-Atlantic cooperation with America and a pragmatic British way to deal with security issues".

Impact on the Transatlantic Relationship

For the US, a UK distanced in some way from the EU would remove a key link in its policy to maintain its security relationship through NATO. In recent years the UK has expressed its intention to block numerous initiatives to create a more independent EU military, such as the proposal by the French and Polish presidencies in 2008 and 2011 to create a standing EU military headquarters, the proposal for a European army and more majority based decisions in defence and foreign policy in the 2012 communiqué on The Future of Europe by eleven EU Member States and calls for a "new military structure" for EU-led operations by France, Germany, Italy, Poland and Spain in November 2012.

Some advocates of a withdrawal from the EU believe that it would allow the UK to strengthen its 'special relationship' with the United States as part of an Anglosphere committed to liberal-democratic, free trade and globalisation. However, with the UK having been one of the main driving forces behind CSDP, its absence would leave more European-oriented members, especially France, with

much more freedom to shape the agenda. Both sides of the political spectrum in the US thus want the UK to maintain an active role in shaping EU policy because, in the words of Philip Gordon, US Assistant Secretary of State for European affairs, “More than most others, its voice within the European Union is essential and critical to the United States”.

The UK thus plays a key role in helping the US to strike an optimal balance between a Europe that takes more responsibility for its own defense but does not emerge as a rival force on the world stage. This has implications for China, insofar as Obama’s Asia “pivot” depends to some extent on the Europeans taking a more active defence role in their own neighbourhood, as when the US “led from behind” during the Libya crisis, limiting itself to providing logistical support for the British and French intervention. Geo-strategically, the US also sees UK support for further enlargement of the EU, especially drawing in Turkey.

Conclusion

Even if the approaching referenda in Scotland and the UK do not change the status quo, they may have the following implications for relations between the great powers:

- Raising discussion of norms of national self-determination higher up the international agenda.
- A reshaping of EU foreign trade and investment policy that will further liberalise access to either the UK or the EU, especially in the services sector.
- A reassessment of the defense and foreign policy links between Europe and the US relationship that will have implications not only for the transatlantic relationship but also for presence of the US in other regions, especially the Asia-Pacific.