The Impacts of Brexit on the Security and the Defence Industry in the European Union and the United Kingdom

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On the 31st of January 2020 Brexit became a fact. Now with the help of a special transition period both the UK and the EU are actively preparing for the new reality apart from each other. Regardless of the final outcome of the London-Brussels negotiations that are said to conclude before December 31st of this year, the UK's split from the EU will affect all aspects of this bilateral relationship, including security and defence industry. All existing arrangements and defence cooperation agreements will need to be reassessed, completely changing the defence landscape of Europe. Despite all of this, the final extent of changes imposed by Brexit will only be known after the transition period negotiations conclude and an exact shape of the EU-UK relations post 2020 will be known.

- The Transition Period lasting from the 31st of January till the 31st of December 2020 will determine the final shape of the relationship between the EU and the UK.

- The divorce will affect of aspects of our lives including defence. Nevertheless, when compared to other areas such as economy, travel and cross-border cooperation, its impacts will be minimal – this is because it is still NATO and not the EU that is the main security guarantor on the Old Continent. The UK already vowed to remain committed to NATO following Brexit.

- The absence of the United Kingdom in EU-organised peacekeeping and monitoring missions as well as the loss of Britain’s CSDP budget contributions will be the main impacts felt by the European Union’s defence sector.

- The EU’s defence industry will also experience the split since it will now be harder to trade parts and systems with the UK. At the same time, the sales of EU-made arms to UK were minimal. The multinational companies such as Airbus Defence may be the biggest losers since the ties with UK need to be upheld regardless of the future shape of the EU-UK relations.

- The United Kingdom will feel the negative effects of Brexit on its defence much more than the European Union will.

- By not participating in the CSDP, British Armed Forces may over time become less compatible with their European counterparts as no common goals will be set anymore. Furthermore, the UK will be excluded from training opportunities during EU-led peacekeeping missions and future projects of similar kind. At the same time the UK was always reluctant to further ‘militarisation’ of the EU citing the concerns for the key role of NATO needing to be upheld.

- The British arms industry will arguably be the biggest looser of Brexit as the new, post-2020 reality may impede many of its contracts with EU nations by increasing prices, delaying project completion – all as possible results of the returning EU-UK ‘hard border’. The loss of competitiveness in Europe would force the UK to look for new markets for their weapon systems.
After months of negotiations both with the EU Member States as well as within its own Parliament, the United Kingdom has finally left the European Union on Friday the 31st of January 2020. Nevertheless, the UK’s departure from the EU is not fully complete just yet, as both Brussels and London have agreed for a special Transition Period lasting for 11 months, during which the UK will still remain a part of the EU’s Single Market and the Customs Union. In the final act that is yet to come, the midnight of 31st of December 2020 will see Britain’s complete departure from the EU structures. Before this happens both governments hope to reach a Free Trade Agreement that will allow to minimalize the chaos and financial loses that are to be expected in the first month of UK-EU trade and flow of people should a no-deal scenario with no such agreement play out.

At the same time, regardless of the direction in which the Brexit negotiations will ultimately go in, there will be consequences for both Europe and the UK in virtually all branches of their social, economic and political lives. One of the areas that is of particular concern is defence. The United Kingdom is only one of two European nations that possesses nuclear capability in the form of Trident nuclear ballistic missiles while at the same time sporting two very capable aircraft carriers that although are less relevant to the defensive war in Europe, are at the same time of immense advantage in military and peacekeeping operations in the far corners of the globe. The British Army is at the same time one of the most modern and capable forces on the Old Continent, playing an important role in all modern conflicts during which other European nations have been involved. From the strictly economic perspective, the British arms industry is also one of the biggest in the whole of European Union, being surpassed only by France and Germany. What is more, the UK is involved in a number of international projects (Eurofighter Typhoon, F-35 etc) where it is only one of several participating states. Any perturbations resulting from Brexit are likely to affect both the strong position of the Royal Army and UK’s well-developed arms industry.

This report focuses on the possible consequences that Brexit may have on the armed forces and defence industries of both the United Kingdom and the European Union Member States. Since the final outcome of the post-transition agreement between the UK and the EU is not known at the time of writing this piece, several most possible scenarios will be explored, focusing on the most plausible ones.

The main thesis of the report that is examined in the forthcoming pages is that Brexit as such will have little effect on the military security and armies of both the European Union Member States and the United Kingdom. Although the EU is currently attempting to develop a more comprehensive cooperation between EU27 in the defence sector, it is still NATO and not the EU that undertakes the vast majority of defence-related activities and decisions in Europe. Nevertheless, at the same time it is becoming clear that Brexit will have a severe impact on the British arms industry regardless of which of the explored two scenarios (no-deal and Free Trade Agreement) happen. The difference will only be there in the extent of harm done. The European arms industry will also feel the effects of the British divorce with the European Union but because of its vast network of already established alternatives, the harmful effects will be felt to a lesser extent. This is the case for both the optimistic and the most pessimistic outcomes of the transi-
KNOW YOUR BREXIT

Britain’s relationship with the European Union has been, since its very beginning, far from perfect. The EU membership referendum of June 2016 was not just another symptom to it but rather a culmination of years of disagreements and British struggle to remain on its unique but separate pathway of development, while at the same time trying to adhere to the increasing amount of rules and regulations introduced by the European Union.

Initially, the United Kingdom wanted to join the then European Economic Community (EEC) in 1963 but was blocked from doing so by the French President Charles de Gaulle. De Gaulle had several doubts about British commitments to the EEC, believing that London will always aim to side with Washington more than it will ever want to side with Brussels. After the UK finally joined the Community in 1973 it quickly went into another period of uncertainty when the government had called a 1975 EEC Membership referendum to see what percentage of Brits supported their 1973 accession. The results were decidedly positive, with 67% of those who participated supporting the UK in the EEC. A relatively small margin of 33% of

Britons voiced their disapproval to the partnership of two. Less than 10 years later in 1984, British Prime Minister (PM) Margaret Thatcher went to war with the ECC over the payments that the UK was making towards the Community’s budget. Although the UK ranked as one of the poorest member states at the time, its financial contributions were higher than those of many wealthier states. From the technical side, this had to do with a big focus on agriculture at the time and the financial subsidies to farms that the UK had enjoyed less of than other Member States. In the end, PM Thatcher managed to reduce the payment size – something that remained in place until Brexit. Other significant conflict points between the UK and the EEC/EU included a ban on British beef and trouble with selling chocolate outside of the Kingdom, both of which were ultimately lifted following lengthy diplomatic and even judicial proceedings that took years to finalise.

The first announcement regarding a possible referendum on the UK’s membership in the EU that ultimately lead to Brexit came in 2010 when PM David Cameron promised a referendum on the Lisbon Treaty, citing worries that the British society had with regards to the increase of powers given to Brussels by the document. Three years later, in 2013 during his Bloomberg speech, PM Cameron said that should the Conservative Party win the 2015 General Elections, the government will try to renegotiate a more favourable membership conditions and will also hold a nationwide referendum, now known as the 2016 UK Membership Referendum.

In early 2014 the PM outlined the main aims of the upcoming re-negotiations with the EU, including more control over UK’s immigration, decentralisation of the EU and reduction of bureaucracy for business. The 2015 elections had been won by the Conservative Party with a large majority and hence the negotiations continued uninterrupted. Their outcome as well as a date for the now-confirmed referendum had been outlined in early 2016. Following a brutal and extremely active campaign, the Membership Referendum took place on the 23rd June 2016 with results coming through just hours later.

On Friday 24th June 2016 the results had been announced, confirming the victory of the Leave EU campaign by a narrow margin. On the same day PM David Cameron announced his planned resignation set to happen in October, and following a Conservative leadership election, Theresa May was announced as the new Prime Minister who would lead the UK’s withdrawal negotiations. The initial Brexit date has been set to 30th of March 2019 yet, following a quadruple defeat of the PM’s Withdrawal Agreement in the House of Commons and the subsequent delay in Brexit, she announced her resignation that was set to take place on 7th June 2019. Boris Johnson, a controversial Conservative politician, former Mayor of London and one of the heads of the victorious ‘Leave EU’ campaign, was then nominated to take Ms May’s spot, which he did on 24th July.
In his first speech, Johnson sought to carry out Brexit on or before 31st October 2019, leaving both a deal and no-deal Brexit on the table – something that many Britons feared due to the possible catastrophic consequences related to obstructed movement of goods and people. After suspending the parliament and still being unable to gain acceptance for his Withdrawal Agreement or even a no-deal divorce, Johnson dissolved the House of Commons and called for General Election on 12th December 2019. These were to give Conservative Party enough seats to vote through a withdrawal agreement negotiated by Johnson with a help from UKIP and other Euro-sceptic parties. Quite surprisingly, the elections provided the Conservative Party with a landslide victory and the biggest parliamentary majority since 1987. Having secured enough Members of Parliament to vote on his Withdrawal Agreement, the United Kingdom has left the European Union on 31st January 2020. Despite the departure, the UK has remained a part of the EU Single Market and the Customs Union until the end of the 11-month long transition period that is set to end on 31st December 2020 and that will take the UK out of all EU-related bodies and agreements. The importance of this period cannot be stressed enough as it will be during these eleven months that London and Brussels will try to negotiate a UK-EU Free Trade Agreement (FTA) as well as other equally important details of the future bilateral relations. These will cover all aspects of people’s everyday life, from traveling and economy to judicial matters and defence.

The decision made by the United Kingdom of Great Britain and Northern Ireland to leave the European Union has had a significant impact on virtually every aspect of the Union. This is no different when it comes to defence and military security of the now EU27. Arguably, the impact on those same areas will be felt much less significantly by the EU when compared to the United Kingdom. Although the EU (compared to NATO) has relatively little to say when it comes to the coordination of armies or joint military exercises, the arms industry of the entire region is well interlinked, and new purchases and projects are greatly facilitated by the existence of the customs union and the European free market. The UK is set to exit both on 31st December 2020 and, should a free trade agreement not come to materialise, the Kingdom will be excluded from all of those joint projects, plus, any sales and purchases will then take longer and be more expensive than they were before 2020 due to border checks and customs tariffs in place.
SECURITY

Despite the relatively limited consequences that the EU27 will have to face following the departure of the United Kingdom, it is obvious that this move will in some ways weaken the security of the European Union as well as its arms industry and peace-keeping capability. According to the 2019 Global Firepower Military Strength Index, the United Kingdom was ranked as the World’s 8th greatest military superpower surpassed by only one European power – France.\(^\text{13}\) The UK also sports Europe’s largest defence budget and is one of only six states within NATO spending 2% of its annual GDP on defence. Furthermore, the UK alongside France are the only two states in Europe that possess nuclear-capable ballistic missiles in their arsenals while at the same time having a permanent seat in the UN Security Council.\(^\text{14}\) The loss of member with such a powerful army and so much to say in global politics has certainly dealt a painful blow to the European Union. At the same time, since the EU does not possess its own offensive capability in the form of a European army, the absence of the UK at this stage is merely reputational and means that the EU will be less capable of indirectly affecting decisions undertaken by NATO and the United Nations.

Although the European Union is predominantly a political alliance, some of its members including France and Germany have openly spoken about creating an ‘European Army’. Despite different attempts having been made over the years, up until this stage these have withered out as mere political declarations. However, Brexit may actually accelerate the creation of a more defence-orientated Union. This is because ever since its accession in 1973 the United Kingdom has been a loud opponent of any attempts to increase the defensive capabilities

of the Union citing the existence of NATO.\textsuperscript{15} Now that the UK is gone, the Franco-German duo that has been pushing for a greater militarisation is left without its greatest and strongest opponent, hence allowing for less impeded steps to be taken for these plans to finally be put into action.\textsuperscript{16}

The first attempts to introduce defence issues into the EU happened with the signing of the Maastricht Treaty that established the Common Foreign and Security Policy (CFSP) in 1993. In addition, the year 1999 saw the creation of the European Security and Defence Policy (ESDP) to help EU with managing international crises through humanitarian, evacuation, peacekeeping and intervention missions. In 2003, this policy was put to practice with Operation Artemis, also known as the European Union Force (EUFOR), in the Democratic Republic of the Congo. As part of this operation, 2,300 European soldiers helped stop massacres in Ituri, to the north-eastern parts the country.\textsuperscript{17} The current state of defence affairs in the EU was established with the signing of the Lisbon Treaty that conceived the Common Security and Defence Policy (CSDP), at the same time establishing the post of High Representative for Foreign Affairs and Security Policy, who would at the same time hold the position of the Vice-President of the European Commission. The treaty also introduced the “mutual defence” clause – if one Member State experiences armed aggression, other EU Member States must come to its assistance. Interestingly, this clause was invoked for the first time following the Paris terrorist attacks in November 2015.\textsuperscript{18}

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Strengthening the European defence even further has been one of the European Union’s political priorities since the European Council meeting of December 2013. As a result, several actions have been undertaken as a part of CSDP, including the creation of a political framework called the Permanent Structured Cooperation (PESCO).\textsuperscript{19} It includes 20 commitments to step up cooperation in several areas, including: defence investment, the interoperability of European armies, and development of the European industrial base. Furthermore, the European Defence Fund was created to better financially support the development of European defence capabilities. Its precursor, the European Defence Industrial Development Programme (EDIDP) had been granted €500 million for the 2019-2020 period. In 2020 the European Commission announced its intention to set aside

\textsuperscript{15} Cornelia-Adriana Baciu, ‘Brexit opens up a Pandora’s box of security, defence, and foreign policy issues’. London School of Economics; 17 March 2020; https://blogs.lse.ac.uk/brexit/2020/03/17/long-read-brexit-opens-up-a-pandoras-box-of-security-defence-and-foreign-policy-is-sues/


\textsuperscript{19} Simon Sweeney, ‘Security, defence and Brexit: shared collateral damage for the UK and the EU’. The UK in the Changing Europe; 2 December 2019; https://ukandeu.ac.uk/security-defence-and-brexit-shared-collateral-damage-for-the-uk-and-the-eu/
€28.5 billion for security and defence, including €13 billion for the EDF and €6.5 billion for military mobility.\(^{20}\) As any other project or policy of the EU, the CSDP and the EDF are financed from the contributions from all 27 (28 before 2020) Member States. Considering the size and capabilities of the British Army and its substantial budget, the financial contribution made by the United Kingdom towards the CSDP of approximately 2.3% of the total budget annually were quite low.\(^{21}\) This was partially due to the already mentioned scepticism towards the EU militarisation and the possible non-compatibility with NATO in the eyes of London. The loss of such a relatively low financial contribution following Brexit is far from being a painful blow towards the idea of militarized EU and can result in either a lowering of CSDP budget or a slight alignment of EU27 contributions to fill for the missing UK’s part.\(^{22}\)

Another important part of the EU’s CSDP is the ability to conduct peacekeeping and monitoring missions across the globe. These are often done in cooperation and agreement with the United Nations and NATO but at this stage the EU is fully capable of organising missions independently and without any support from the aforementioned bodies.\(^{23}\) The 2015 Operation Sophia is just one of many examples to this. Up to this moment, six operations made up of European soldiers from different Member States have been deployed abroad including:

- Operation Atalanta (launched 2008) to fight piracy off the coast of Somalia
- Operation Sophia (launched 2015) to combat migrant smuggling operations on the Mediterranean Sea
- Operation Althea (launched 2004) peacekeeping in Bosnia and Herzegovina

In addition, three military training missions have already taken place: EUTM Somalia in 2010, EUTM Mali in 2013 and EUTM RCA in 2016 as well as 10 civilian crisis management missions, to provide training and advice in the fields of internal security and border management, in the Sahel, North Africa, the Middle East, the Balkans, Ukraine, Georgia and Somalia.\(^{24}\) Although the United Kingdom actively took part in many of these missions, the departure from the European Union will not allow the Kingdom to take part in such engagements anymore. This does not mean that the UK will be completely excluded from taking part in peacekeeping across the globe since most of such missions are organised and carried out by UN and NATO of which the UK will remain a member. For the European Union, the lack of British involvement in the future EU-led peacekeeping missions will not be a major game-changer. The UK was reluctant to get heavily involved, sending only small components of troops and police officers to a selected number of these.\(^{25}\) The absence of the United Kingdom therefore will not impede the EU’s capability to operate globally and maintain peace worldwide.


\(^{21}\) James Black; Alex Hall; Kate Cox; Marta Kepe; Erik Silfversten, ‘Understanding the possible implications of the UK’s decision to leave the EU — Compendium report’. RAND Corporation; 1 July 2017; https://www.rand.org/content/dam/rand/pubs/research_reports/RR1700/RR1786/RAND_RR1786.pdf


Although the peacekeeping operations under the EU’s auspice are funded from the European Defence Fund, it is important to remember that not all of that money goes towards just foreign engagements. The European arms industry that has been developing rapidly across the whole Old Continent in the recent years and as such is now a second key beneficiary of the EDF funds. In 2015 alone, the total value of sales made by EU’s arms dealers exceeded 100 billion Euro, which would rank the Old Continent as the second biggest exporter of weapons by value, surpassed only by the United States of America. In its entirety before Brexit, the EU’s arms industry employed over half a million workers directly with over one million more jobs being indirect. Despite these impressive numbers, the arms companies of the Old Continent have never been consolidated into one, joint venture but rather always operated as separate entities on completely separate markets.


The decision makers in Brussels have already seen the need for a closer arms market integration years ago. The European Defence Agency, created in 2004 is responsible for both the multilateral cooperation of the armies of each and every Member State but it also works closely towards building a closer relationships within the European defence sector so that its negotiating position is stronger and more international, multi-company projects can be undertaken for the good of the Union. Thanks to the steady financing of the EDA from the CSDP, the arms industry across the EU is now becoming increasingly Europeanised. This can be exemplified by the Eurofighter Typhoon multirole fighter jet. From the very beginning this plane has been designed to be a joint, multicompany project that would result in a new fighter jet for a number of European armies. Due to this interoperability, the funding for development came in from different companies and even national governments which then pledged to purchase the ready airplane. At present, more than 75 companies from all over Europe are involved in its production and the plane itself is currently in use with four EU member states and one former one. These nations are: United Kingdom, Austria (also outside NATO), Germany, Italy and Spain and together they operate nearly 500 aircrafts. This as well as other similar joint weapon projects were made possible thanks to different bodies of the European Union coming together to introduce regulations making it easier to transfer sensitive technology and information through borders. This process is likely to continue following Brexit, simply without the presence of British companies in the mix. The European Commission has made the integration of the European defence industry one of its core objectives. Although already being partly liberalised, the European Defence Fund will allow the Commission to spend billions of euros in an attempt to further integrate the European arms industry and make it more competitive without the UK in the picture.

A successful cooperation of the EU’s defence markets is absolutely feasible without the UK as the majority of technologies and components can be sourced from the alternative Member States. This is even though the overall profits of the entire EU’s defence industry will be significantly reduced in the beginning of 2020; and all of this will be because of one UK based company – the BAE Systems. British Aerospace Engineering is Europe’s largest defence company with an average of 25 billion Euro of arms

At the same time, it is important to stress that the divorce does not necessarily need to make all international, multi-company defence projects go away completely, though they will not be as simple as they were before. A free trade agreement that both the UK and the EU wish to sign in the near future would allow for both easier cooperation as well as the lowering of costs associated with custom fees and taxes. This will only be possible should Brussels and London come to an agreement before 31\textsuperscript{st} December 2020.\textsuperscript{33} The exact status of negotiations is unknown at the time this piece is being written but multiple sources from within the European Union claim that negotiation are ‘slow and painful’ and that a consensus may not be reached before the end of the Transition Period at the end of the year. Should an FTA not be possible, bilateral industrial cooperation agreements would be then necessary in order to lower the impact of Brexit on the entire industry. These documents, signed between the UK and individual EU Member States would allow for the lowering or even a complete abolition of custom fees, taxes and border checks thus allowing for a more seamless cooperation and goods exchange. At the same time, one needs to remember that such documents usually take months if not years to draft and the necessity to negotiate and ratify as many as 27 of them could be a truly Pyrrhic undertaking for the current and forthcoming UK administrations.\textsuperscript{34} Fearing the exclusion of British finances and technological know-how from the planned Europe-wide defence programmes like that of the tank and fighter jet of the future, the German officials have already expressed their will to grant the UK a special status that will allow London to join any new or to re-join

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32. Torben Schütz; Christian Mölling, ‘Fostering a defence industrial base for Europe: the impact of Brexit’. International Institute for Strategic Studies; 1 June 2018; pp 1-6

sales and 85 000 employed directly involved in its operations.\textsuperscript{31} Although BAE Systems is not solely defence focused (it also manufactures products for civilian market) it still is considered as a predominately arms-orientated company. The third biggest company in the arms market of the Old Continent is French Thales, making ‘only’ 7 billion Euro – a significant difference to its British rival. Now that the UK is outside of the Union, these profits will flow outside of the EU and will not contribute towards a closer integration of the EU defence market.\textsuperscript{32}
any old joint programmes. This would allow both Brussels and officials in Westminster to avoid the lengthy route of a bilateral free trade agreements.35

The need for a special status in the UK-EU defence relation also becomes obvious when looking at the second biggest defence company of the Old Continent – Airbus. Its defence section – Airbus Defence makes 13 billion Euro of sales annually and employees more than 140,000 workers in not one but more than six states across Europe.36 Its unique international structure means that parts from factories and design bureaus scattered across Europe are then transported to one factory and put together there. The exclusion of the UK from this supply chain or even the presence of customs fees and taxation related to a no-free trade agreement scenario may mean a collapse of the entire Airbus production which would be devastating for both British and EU’s economy.

Should an FTA not be possible, bilateral industrial cooperation agreements would be necessary in order to lower the impact of Brexit on the entire industry.

INFLUENCE OF BREXIT ON THE DEFENCE INDUSTRY AND SECURITY OF THE UNITED KINGDOM

The process of Britain leaving the European Union has been rocky and difficult all along. It has seen the fall of two governments, the shutdown of parliament, social campaign to give people a say in a second referendum and much more. But just like every soap opera, even the best ones, this too had to come to an end. Following a lengthy battle with Parliament that resulted in early elections being held in December of 2019, Prime Minister Johnson had finally succeeded with obtaining acceptance of his EU Withdrawal Agreement from the House of Commons in early 2020, hence avoiding the ever-feared ‘no deal’ scenario and taking the United Kingdom out of the European Union on 30th of January 2020. Since that day, an 11-month long Transition Period was put in place allowing the UK to remain in single market and customs union while politicians and civil servants work tirelessly to adjust new laws and regulations to the new reality. At the same time, negotiators in Brussels and London begun a difficult talks of agreeing on a comprehensive EU-UK Free Trade Agreement that would allow both entities to avoid a chaos of having to introduce border checks, customs fees and taxa-

tion thus halting the flourishing trade between the UK and EU27. The importance of the FTA cannot be stressed enough as it will be largely thanks to this document that many dark scenarios presented below can be avoided in full. Nevertheless, as the negotiations are ongoing, there is always a possibility that these will fail, and no agreement will be in place for December of 2020. In that scenario the initial chaos will be averted by drafting bilateral trade agreements between the UK and individual EU Member States. This too can take months if not years but would be the only option available to lower the negative impact of no deal Brexit. In addition, some areas of EU-UK economic and defence cooperation can be regulated on the basis of special agreements with the European Union and not its individual Member States, that although would cover only a narrow part of the relations, and thus can be seen as a last resort option.

SECURITY

During the ‘bloody’ campaign that preceded the EU Membership Referendum of 2016 as well as during the December 2019 elections, the current Prime Minister of the United Kingdom – Boris Johnson used his slogan: ‘take back control’ to gain support for his push to finalise Brexit. This catchy phrase referred to European Union supposedly controlling the everyday lives of Britons as well as its economy, enforcing limits and regulations that did not allow it to flourish. Although this might have been true with regards to some sectors of British economy (e.g. the problems with too much milk content in Cadbury’s chocolate or a ban on British beef following the Mad Cow disease spread) this is certainly not so true with regards to British defence and its arms industry. In the short term, the consequences of Brexit for the British Army will be minimal, with no planned disruptions or issues related to international exercises and cooperation. This is predominantly because it is still NATO and not the EU that coordinates international military manoeuvres as well as the majority of peacekeeping or advisory operations both in the time of war and in the time of peace.

At the same time, it is important to remember that by the end of December 2020 the UK will no longer be a part of the Common Security and Defence Policy, which will reportedly be the biggest impact that the British Army will need to brace for. The limited access to CSDP will prevent the UK from joining any current or future peacekeeping/advisory operations run by the EU such as ALTHEA, ATLANTA and SOPHIA. The UK forces will, from 2021, be able to join only the missions run by NATO and the UN. Although at first glance this seems not to be a major disadvantage, one needs to remember that the EU plans to increasingly engage in such operations in the future. The exclusion of the United Kingdom from these, would mean that the soldiers of the Royal Army will have less opportunities to gain valuable combat experience and that the British Foreign Ministry will lose some of its strategic importance now that it will not be able to engage in geopolitical hotspots that the EU deems necessary to react in.

The exclusion from the CSDP will also have one more serious effect on Queen’s armed forces – one that in the long term can make military cooperation in Europe more difficult and less effective. The CSDP, on top of having a common budget also includes defence policies, that all Members States agree


to pursue. Although not as comprehensive as the ones in NATO, the defence policies introduced by the EU are also of vital importance. The fact that UK will no longer have a say over the direction of development for the European armed forces and will no longer be bound to follow them, may in long term result in a development of a two-speed or even two-direction Europe. Should this happen, the EU27 armies will push in a direction and pace set by CSDP while the British army will either fall behind or set its own direction thus pulling the Royal Army away from the EU27 armies. With that, the UK will become a third state to the EU with an army increasingly unable to cooperate with its European counterparts. At the same time, Brexit will not give back any control over defence to the UK as the CSDP have never covered that area. With that being said there are hardly if any benefits to the leaving of EU for British defence.  

In order to compensate for the losses associated with the exclusion from the CSDP, the UK would need to consider something that the German officials have already mentioned as a plausible solution - a granting of EU’s defence partner status. This status would allow the UK to participate in the sittings of the defence committees, would allow the Royal Army to implement the agreed policies and would allow Brits to re-join any peacekeeping and advisory operations run by the European Union. Should this be agreed upon, the UK will still not have any say over what is being agreed upon but would at least push away the possibility of a two-speed, two-direction European defence. At this point it is also important to mention that should a special partner status be agreed for the United Kingdom, this would be an unprecedented move with no similia agreement in place before. Although some nations like Turkey and South Africa have partnership agreements signed with the EU, these would be nowhere near as comprehensive and generous as the planned deal with the UK.


In the end, the Royal Army and the administration within the British Ministry of Defence may not seek a close re-integration within the CSDP structures following Brexit as it would not give the UK any decision-making powers and hence its voice would still be largely unheard and non-binding. An alternative to the UK-EU defence agreement would therefore be a closer cooperation with a selected armed force of the EU27. Some of such agreements are already in place with nations like Poland and France (in the form of Combined Expeditionary Force) or even larger groups of nations at the same time like the JEF agreement (Joint Expeditionary Force - United Kingdom-led expeditionary force consisting of Denmark, Finland, Estonia, Latvia, Lithuania, the Netherlands, Sweden and Norway). These would make sure that the UK armed forces are still capable of cooperating with its European counterparts while at the same time not returning to the disliked mechanisms of CSDP.

The 2018 withdrawal of the USA from the so called ‘Iran Nuclear Deal’ was opposed by Western European states which wanted to keep the deal despite its shortcoming, believing that this was the only way to stop Iran from acquiring nuclear weapons. The inner European negotiations related to the deal have quite unexpectedly brought about yet another possible political format that if formalised, may actually somewhat compensate the UK and Western Europe for Brexit. This format is known as the ‘E3’ and according to the German Chancellor Angela Merkel: ‘would provide an additional security forum on top of EU and NATO’ to resolve the most pressing issues related to global peace and the rapidly evolving challenges and threats. The format was born during the Iran-USA-Europe negotiations and included France, Germany and the UK. Seeing the increased negotiation and decision-making effectiveness, there are now plans in place to formalise and make the ‘E3 format’ permanent. If realised, the E3 would in many ways compensate for the British exiting from the EU and the CSDP as it would allow Britain to still take part in the European discussion-making processes related to security issues and their possible resolutions.

Last but certainly not least, the emergence of the ‘Global Britain’ doctrine may be seen as the viable and politically worthy alternative to ties with the EU. The doctrine itself has been born not long after the 2016 EU Membership Referendum and in short focuses on the departure from the ‘oppressing’ and limiting ‘shackles’ of the EU and into a future, where Britain will establish new alliances and re-arrange the existing ones. The priorities of the British foreign and security policies are also set to be changed as they will no longer be dictated by Brussels. Largely favoured by the euro-sceptic circles within the Conservative Party and right-wing think tanks, the doctrine itself has not yet been defined by paper. Instead, as of today it is an idea that the current government wishes to pursue once its main ideas, goals and challenges are defined. Although not known at the time, it is nearly certain that it will aim at making UK more independent and global thus lowering the importance of the EU both internationally and ‘at home’.

41. Helen Warrell; Michael Peel; Tobias Buck in Berlin; Victor Mallet, ‘UK battles to define defence and security role post-Brexit’. Financial Times; 30 January 2020; https://www.ft.com/content/762c45e2-427f-11ea-abea-0c7a29cd66fe
As much as Brexit is not predicted to be a major blow to the Royal Army and its operations both domestically and abroad, the British defence industry should brace for impact, especially if London and Brussels are not able to agree on a Free Trade Agreement before 31st December 2020. Even if such agreement is ratified sometime later, the effects of a no-deal Brexit with customs controls and fees being imposed on defence goods may impede production and sales of British arms for months to come. This would be extremely painful to the entire British economy as UK defence sector accounts for as much as 3.5% of UK’s annual GDP.45 As of 2019, the United Kingdom held the place of World’s second largest arms exporter with 9 billion pounds of export orders in 2017 and an industry turnover of 22.7 billion pounds in 2018. Here, it is also important to mention that approximately 10% of these sales have been made with EU Member States but the biggest chunk of UK’s 2019 defence sales – 60% have gone to the Middle East – UK’s defence industry biggest partner. Qatar, Saudi Arabia and the United Arab Emirates were amongst the top buyers of British weapons that although very good to the economy is also quite controversial as British weapons have been sold with a full knowledge of its immediate employment in the Yemen Civil War – a conflict that the UK government strongly condemns.46

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The exiting of the United Kingdom from the EU Common Market and the customs union without a free trade agreement will undoubtedly deal a devastating blow to the British arms industry and all other branches of the economy. The necessity to impose border checks and custom tariffs will mean that parts necessary for the building of many British weapon systems will be more expensive and will take longer to complete. This in turn will delay or even completely impede some international contracts since deadlines will not be kept. The proposed introduction of a point-based immigration system proposed by Home Secretary Piri Patel in the beginning of 2020 may even further threaten the arms sector as it may result in an insufficient amount of skilled labour that often came to UK from Eastern Europe.47 These people may not qualify for entry into UK in the future, leaving the country with a need of finding and training of UK-based staff.

The introduction of tariffs on the border will also result in an increased price of British products coming to Europe thus making it harder to sell these, especially amid growing competition from other defence firms Europe-wide. Further to that, the already mentioned international companies such as Airbus – that has factories scattered all across Europe will also have problems with acquiring parts from the UK, due to border checks and the associated queues of trucks waiting for hours if not days to be checked. This in turn may result with international companies closing their UK factories in order to lower the production and shipping costs – thus hurting the UK economy to its core. Last but certainly not least, the international arms projects like the Tempest 6th generation fighter and further upgrades to the Eurofighter Typhoon may be more difficult and thus may require bilateral cooperation agreements between respective governments.48

This is also the case with parts and weapon systems intended for European customers or coming from the EU and into the UK (10% of UK arms sale went to EU in 2019). Should a comprehensive free trade agreement not be in place by December 2020, the UK should strive to sign bilateral industrial cooperation agreements lowering the tariffs and abolishing border checks with its neighbours. At this time, the fate of the FTA is still unknown – just like us, the British defence industry must now anticipate in waiting for the outcome of the Brussels-London negotiations to plan its next move.

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CONCLUSION

Although the British exit from the European Union has now become a reality rather than a distant vision, there are still many unknowns to this equation that do not allow both the UK and the EU to fully move forward with the new reality. The current 11-month Transition Period that is set to end on 31st December 2020 is in place to allow the Britain to prepare and enact new legislation that will take the place of the EU laws that were in place before Brexit. Despite ratifying his Withdrawal Agreement with both chambers of British Parliament, Prime Minister Boris Johnson still has plenty of work to do before he can forget about the EU-UK divorce. The agreement that he fought for so vigorously and even organised early election to get it passed in the House of Commons was largely dedicated to the situation within the UK during and not after the Transition Period. With that being said, it is now that the governments in Brussels and London have to negotiate agreements that would regulate the relationship between the United Kingdom and the European Union starting from 1st January 2021 - when the UK will completely leave the Union and all associated agreement such as the customs union and the common market.

The premise of the above report was to explore the effects that Brexit may have on the security and defence sectors of both the European Union and the United Kingdom. As mentioned in the opening section, issues explored here were hypothetical with a high degree of likeliness due to how difficult the negotiations between the European Union and the British government are, and how little time there is remaining to finalise them. At the same time, considering the current situation in Europe and the quickly growing pandemic of the SARS Covid-19 disease worldwide, the chances of diverting priorities away from a comprehensive agreement are very likely. In this case, and with the transition period not extended beyond the end of 2020, the no-deal scenarios presented in this work are expected to materialise. There is of course a chance that the TP will be extended beyond the end of December 2020 but as of today this is not very likely as its non-extending has been one of the most important pledges of Prime Minister Boris Johnson during his electoral campaign of December 2019.

The first section of the report explored the possible consequences that Brexit may have on the armies of the EU Member States, the defence policies pursued by Brussels and the ever-growing arms sector of the EU’s economy. The in-depth analysis of the Brexit consequences allowed the author to establish that the negative consequences felt by the EU as such and the EU27 armies will be minimal to none. The biggest downside of the divorce will be the fact that less resources will be available to make up the future peacekeeping/advisory operations run by the EU worldwide. There will also be less finances available for these operations coming from the CSDP as there will be less contribution paid towards it. At the same time, despite having an army with the highest financing in the entire EU, the UK only contributed about 3,5% of the overall CSDP budget. In the future this financial gap may be filled by minor adjustments to the contributions of the remaining EU27 states. In some regards, the British departure may also have a healing result, as now both France and Germany will be able to pursue a more comprehensive defence policies of the EU – a move that was often blocked by the UK, which believed that NATO would be sufficient as European peacekeeper.
Despite this, Brexit is set to have a significantly more harmful consequences on the European defence sector. If a comprehensive free trade agreement is not in place by the time the Transition Period ends, the EU-UK borders would need to be re-erected, controlling all goods intended to and from the UK. The associated custom tariffs would also be in place further impeding the mutual trade. Although the defence markets of EU27 still remain largely independent and have not yet been closely integrated, many companies from across Europe buy or sell parts to various British companies. In such case, a no-deal Brexit would mean price hikes and possible delays in European projects relying on British parts or know-how. These companies include industry giants like Airbus and products as complex and important for European security as the Eurofighter Typhoon. The expected crisis can be averted either by the free trade agreement in place or should this option not be possible, a bilateral trade agreement between UK and several if not all EU27 states abolishing tariffs and border checks. Should these measures not be in place, many projects run by European companies may be hit with delays or even cancellations.

The predicted consequences of Brexit for the British Royal Army and UK’s defence sector are more harmful and long-lasting than those expected to be felt by the European Union. After December 2020, the Royal Army will not be able to participate in the peacekeeping missions organised by the EU anymore. This will strip the UK from a valuable training opportunities and will take away some of its international power-projection abilities. The UK will no longer be able to affect the policies are agreed upon as the part of the CSDP. The UK is free to stir its defence policies away from the EU, setting its own independent course, possibly resulting in a creation of two speeds and two directions Europe – something dangerous for the integrity of the Old Continent. To avoid this both sides agreed that the UK should be granted a special status with regards to its relations with EU over security policies in order to remain independent but still close to the Union. At the same time, the UK is also free to pursue its defence cooperation without the EU, signing bilateral defence cooperation agreements or investing political power into alternatives such as the E3 format or the conceived but still unborn concept of the ‘Global Britain’.

Arguably it will be the British defence sector that will suffer the most in both short and long term. Should a free trade agreement not be in place by 1st January 2021, the UK will face a landslide of costly order delays, cancelations, price skies and even being side-lined as a worthy industry partner for European companies. The erecting of border checks, custom tariffs and the introduction of point-based immigration system will all cause products on either side of the bilateral exchange to be more expensive, slower in arriving to their destination and ultimately even harder to build for the British companies due to workforce shortage. Although the bulk of British arms are exported to the USA and the Middle East, the industry still relies on the European made parts and workers. Furthermore, when the Middle Eastern defence markets eventually become sufficiently modernised, more attention would need to be shift ed back to Europe, at which point the UK-made hardware may have difficult times competing with its EU counterparts due to higher costs associated with their importing and manufacturing. This ‘dark’ scenario can, yet again be largely averted by the introduction of a free trade agreement that would regulate the flow of goods between the UK and the EU or should this not be possible – a series of bilateral industry cooperation agreements with EU27 states.
As this piece is being written in the first quarter of the 2020, the exact state of the EU-UK negotiations remains unknown. These are expected to be equally difficult as the negotiations over every aspect of the Withdrawal Agreement therefore a happy ending in the shape of comprehensive FTA in place by December 2020 should not be taken for granted. Furthermore, as the global healthcare crisis is still in the development phase, any bilateral talks will certainly be put on hold until the pandemic is in a more controllable state. This will put even more pressure on the already short Transition Period and making any deal unlikely to be made anytime soon. With such situation on hand, the governments in Brussels and London will be faced with two options. One of them would be to agree on a extension to the Transition Period beyond December 2020 – this option although most sensible may be blocked by the Prime Minister Boris Johnson himself who have made it his main promise not to extend the deadline even if Britain would have to leave the UE without an agreement in place. The second option would be to return to the negotiation table and work on a free trade agreement until a consensus is reached, regardless of the deadline set by the transition period. As similar trade agreements between the EU and outside states like Canada took years to finalise, a move to work on a deal without extending the TP would mean a return of border checks and custom tariffs for the time between December 2020 and the FTA ratification - making all ‘dark’ scenarios of this work come true, at least for some time. If agreed on, such move could be potentially devastating for both UK’s and EU’s economies which will already be fragile following the Covid-19 pandemics. Considering how difficult the current times are, one should hope that the pandemics finishes soon and that the transition period is extended should the free trade agreement negotiations are not finalised by the end of 2020.

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