

Brexit: Strategic Consequences for Europe

A Scenario Study

Clingendael Report

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Introduction

The United Kingdom (UK) is set to have a referendum by the end of 2017 on whether or not to remain in the European Union (EU). This so-called In/Out referendum (which could be held as early as June 2016) may well result in Britain's exit from the EU, colloquially known as 'Brexit'.¹ In January 2013, British Prime Minister David Cameron announced his plan to hold a referendum, meanwhile putting pressure on the EU to change the way in which it works, or at least to alter the rules governing the United Kingdom's EU membership. Cameron stated in November 2015: 'This is perhaps the most important decision the British people will have to take at the ballot box in our lifetimes',² and, for a change, this may not be an overstatement. The UK government set out its aims to renegotiate the terms of Britain's EU membership, comprising four demands: (1) allow Britain to opt out from the EU's founding ambition to forge an 'ever closer union' so it will not be drawn into further political integration; (2) restrict the access of EU migrants to social benefits; (3) offer greater powers to national parliaments to block EU legislations; and (4) ensure that the Eurozone does not become the core of the EU and that non-euro EU member states will not be disadvantaged within the EU.

These British calls for reform have opened an on-going poker game between the United Kingdom, other EU member states and the relevant EU institutions. Cameron has warned that without a satisfactory renegotiated settlement, he may well campaign for Britain to leave the EU in the forthcoming referendum. EU officials have become hard-pressed to find a viable compromise. European Commission President Jean-Claude Juncker argued (ahead of the December 2015 European Council meeting) that the EU wants 'a fair deal with Britain, and this fair deal with Britain has to be fair for the other 27, too'.³ Without such a 'fair deal', Brexit looms, causing major upheaval within the EU. As President of the European Council Donald Tusk pointed out: 'Uncertainty about the future of the UK in the European Union is a destabilizing factor. That is why we must find a way to answer the British concerns as quickly as possible'.⁴ Still, leaders of other EU member states remain reluctant to support major changes to EU treaties to accommodate these British demands, claiming that they would undermine the fundamental freedoms of the EU's internal market. In 2014, German Chancellor Angela Merkel warned Britain

1 'Cameron Aims to Offer Britons In/Out Vote on EU This Summer', *Financial Times* (11 January 2016).

2 'Prime Minister's Speech on Europe', Chatham House, London (10 November 2015).

3 Peter Spiegel, 'EU Reform: Juncker Pours Cold Water on Cameron Demands', *Financial Times* (17 December 2015).

4 'Letter by President Donald Tusk to the European Council on the Issue of a UK In/Out Referendum', European Council Press Release (7 December 2015).

that she would rather see the United Kingdom leave the EU than compromise over the principle of free movement within the EU.⁵ French Prime Minister Manuel Valls is equally reluctant, warning that an agreement 'at any price' would not be acceptable.⁶ Today, Chancellor Merkel seems more willing to help broker a compromise with Britain, also because criticism of the EU is on the rise within Germany, particularly because of the EU's failure to defend Europe's borders against mass migration from the Middle East and North Africa (the MENA region).⁷ The EU is now engaged in a complex and hectic diplomatic process to negotiate a workable compromise by March 2016, offering Prime Minister Cameron a deal that he can sell at home as proof that the EU can be reformed and that Britain will stay at the heart of decision-making, even if EU treaty change will be postponed until after the referendum.⁸

An impressive number of thorough reports have been published over the past few years, analysing the economic, financial, trade and political costs and benefits regarding Britain's membership of the EU, as well as the process and consequences of Britain seceding from the EU.⁹ Given the polarizing nature of the Brexit debate, the 'Leave' campaign tends to portray the EU as a fossilized relic of the past, with Brussels as its bureaucratic Moloch, whereas the 'Remain' campaign argues that without EU membership, the United Kingdom's prosperity and safety are at risk. Despite these contrasting positions, there is remarkable bipartisan consensus that the EU needs reform. But whereas the 'Remain' campaign suggests that the United Kingdom 'can influence [the EU] far better from inside than outside',¹⁰ the 'Leave' campaign seems to have lost all hope that Britain can halt the EU's development towards a United States of Europe, mainly since the Eurozone now makes all of the key decisions. The rules of this high-stakes' EU poker game dictate that all of the players keep their cards close to their chests, upping the ante for the future of Europe. The United Kingdom's 27 EU partners will be tempted to compromise just enough to convince the majority of the British electorate to tick the 'Remain' box. For the United Kingdom, the coming months will be decisive for its role and place in Europe, as well as the world.

5 'Germany "Would Accept UK Exit from EU" to Protect Migration Rules', *BBC.com* (3 November 2014).

6 David Francis, 'Davos Diary: Europe Fears "Brexit" But Not at "Any Price"', Foreignpolicy.com (21 January 2016).

7 John F. Jungclaussen, 'Merkel Soll's Richten', *Die Zeit* (29 October 2015).

8 Tim Shipman, 'PM's Secret EU Masterplan', *The Sunday Times* (17 January 2016).

9 For example, 'BREXIT: Directions for Britain Outside the EU' (London: Institute of Economic Affairs, January 2015); 'BREXIT: The Impact on the UK and the EU', *Global Counsel* (June 2015); and 'Flexcit: The Definitive EU Exit Plan for Britain', EUReferendum.com (October 2015).

10 See www.strongerin.co.uk.

It is commonplace to argue that the EU stands 'at a crossroads', but Britain's In/Out referendum surely qualifies as a decisive moment for the future of European integration. Most reports and analyses focus on the economic, financial and trade after-effects of Britain's post-EU future, pondering on possible 'Switzerland', 'Norway', or 'Anglosphere' scenarios for an unchained UK. This Clingendael Report examines Brexit's strategic consequences for Europe (and the EU in particular). The outcome of the referendum will have a major impact on the EU's capabilities to foster a Common Security and Defence Policy (CSDP), the EU's ambition to develop a Global Strategy on Foreign and Security Policy (slated for June 2016), the EU's negotiations with the United States to arrive at a Transatlantic Trade and Investment Partnership (TTIP), as well as the EU's role and voice on global security issues, such as fighting Jihadism, dealing with climate change and halting the proliferation of weapons of mass destruction. Arguably, the In/Out referendum will also decide whether, and if so how quickly, the EU will develop into a full-fledged federal entity, and will have a major impact on the nature of the EU's role as a regional and/or global security actor.

This Clingendael Report identifies and elaborates three different scenarios describing how Brexit might impact upon European security and defence, with a specific emphasis on the role of the EU. The scenarios will describe events within the first few years after the referendum (that is, the period in which the withdrawal agreement between the UK and the EU will be negotiated – see below), casting an eye over the decade ahead. This report will consider the three most probable scenarios, leaving the dark prophecies of a complete unravelling of the EU (because of Brexit) to doomsayers and science-fiction writers. These three scenarios come in two varieties, depending on whether the UK will leave in a (more-or-less) congenial spirit of continued partnership following a prolonged period of moderated and phased exit (the so-called 'Flexit', or 'flexible exit' option), or whether the UK will leave in acrimony and go 'cold turkey' on the EU. The report will adopt the Flexit option as its default scenario, assuming that once Brexit has become political reality, pragmatism will prevail over resentment. The cold-turkey option will be considered, but only as a minor reflection.

Scenario One ('Civilian Power Europe Redux') envisions that Brexit will truncate Europe's defence capabilities, resulting in a return to the EU's founding principles embodied in the 'Civilian Power Europe' approach. The CSDP as we know it today will cease to exist in all but name. Scenario Two ('PESCO Plus UK') conceives of the development of flexible defence cooperation, as now exists under the provisions on permanent structured cooperation (PESCO), which offers EU member states the opportunity to go ahead with 'differentiated integration' on defence matters. Brexit would stimulate PESCO, and include the UK on an *ad hoc* basis, mainly to save the CSDP. Scenario Three ('Unleashed Continental Europe') expects Brexit to boost the advance towards a federal EU, including a stronger European Defence Agency (EDA) that is aimed at developing a much taunted 'European army'.

This Scenario Study only envisages the strategic impact of Brexit for Europe, and does not elaborate on the impact of a successful 'Remain' campaign. This is not because a decisive British vote to stay inside the EU will simply maintain the status quo and we will get business as usual; indeed, on the contrary. If Prime Minister Cameron was to succeed in reforming the EU to become more flexible, competitive and in tune with the nationalistic sentiment of the peoples of Europe, the UK could fill a political vacuum in Brussels, or, as Wolfgang Münchau puts it, 'Britain could become a leader in Europe. It could be the diplomatic opportunity of a generation'.¹¹ This study will also not speculate on the nightmare scenario (at last for the UK and/or England) that Brexit will prompt a second referendum on Scottish independence. Arguably, Scottish nationalists will be well positioned after Brexit to win. If so, an independent Scotland may well move to terminate basing arrangements (which date from the 1960s) for the UK's ballistic missile submarines and their nuclear warheads on the Scottish west coast.¹² Any benefit that Brexit would reap for English Eurosceptics would evaporate after a possible break-up of the UK. A fractured and disoriented Britain would obviously also deal a serious blow to Europe's overall security and stability.

All three scenarios are elaborated against the backdrop of a volatile European security setting. Only a few years after the EU accepted the Nobel Peace Prize for its contribution to 'the advancement of peace and reconciliation, democracy and human rights in Europe' (2012), conflict and even war within Europe has become a reality. Several Eastern European EU member states feel uncomfortable within the EU's post-modern mainstream (most notably Hungary, Poland, Slovakia and the Czech Republic), and in many EU member states, popular discontent and distrust *vis-à-vis* the EU is on the rise. Brexit is part of this new phase of uncertainty about the EU's role and future, and a very important one. Brexit would demonstrate that European integration is not a one-directional process, but that the ratchet can be broken and national sovereignty and democracy be restored through a managed and phased exit from the EU. For some, Brexit indicates that the EU is a 'liberal empire' that acknowledges the democratic right of secession. Others consider it a major public relations disaster and suggest that it will encourage great powers like Russia and China to draw weaker member states away from the EU's herd. For example, Guy Verhofstadt claims that 'the only world leader supporting a British exit from the EU is Vladimir Putin'.¹³

The report concludes that, on balance, Brexit will neither help nor harm the EU's CSDP. Without the UK, the CSDP may become less burdened by London's anxieties over sovereignty, opening up vistas for federal solutions to the EU's defence challenges. At the same time, without the UK's major military capabilities and global geostrategic

11 Wolfgang Münchau, 'Fighting Brexit with Fear Will Backfire', *Financial Times* (21 December 2015).

12 Leo Michel, 'British Defense: Mind the Gap', *Atlantic Council* (8 December 2015).

13 Guy Verhofstadt, 'Putin Will Be Rubbing His Hands at the Prospect of Brexit', *The Guardian* (5 January 2016).

perspective, the CSDP is bound to become less ambitious and even more 'sub-strategic' (that is, with marginal effect). Much will also depend on the economic impact of Brexit: a flourishing UK signing lucrative trade deals across the globe, alongside a lethargic Eurozone, is likely to unravel EU integration as we know it. Several EU member states may feel tempted to follow the UK's 'good example'. Still, Brexit will not single-handedly bring down the EU as we know it (although it may accelerate the pace of the EU's downfall – see below).

This Clingendael Report suggests that the strategic consequences of such a post-EU Europe do not have to be detrimental. The apocalyptic vistas of a less EU-centric Europe painted by officials in Brussels are without merit and amount to a deplorable display of political bullying.¹⁴ However, the management of Brexit will be a test case for the quality of statesmanship within Europe, and within the EU in particular. If Brexit is managed well, a secure, prosperous and democratic post-EU Europe may be within reach.

14 Matthew Holehouse, 'Europe Would Be at War Without the European Union, Warns Brussels Chief', *The Telegraph* (13 November 2015). See also 'Carl Bildt: UK Exit Would Mean a "More Dangerous" EU', *BBC.com* (27 January 2016); and Tim Ross, 'Historians for Britain Warn Against Pro-EU Scare Tactics', *The Telegraph* (16 January 2016).

UK AND EUROPEAN INTEGRATION TIMELINE¹

- 1945** ○ – UK focussed on decolonisation
- 1950s** ○ – Churchill's "three circles" doctrine still dominant → "United Europe" is the lowest-ranked circle (after the Commonwealth and the English-speaking world)
- Late 1950s** ○ – The 1956 Suez Crisis acts as a wake-up call: the first two circles of power are gradually vanishing, and Britain's isolationist stance re Europe threatens to completely marginalise it
- 1960** ○ – Stockholm Convention: UK (PM Macmillan) in the lead in the creation of EFTA (alternative to the EEC)
– Gradual Europeanisation of minds within the British establishment → awareness of economic and strategic risks linked to not being on the "EEC bus"²
- 1961** ○ – Macmillan announces Britain's intention to apply for EEC membership
- 1963** ○ – EEC members reject Britain's application
- 1967** ○ – Second attempt to join fails due to De Gaulle's opposition
- 1970** ○ – E. Heath PM
– The Hague conference: resumption of Britain's accession negotiations
- 1971** ○ – Heath and French President Pompidou agree on the conditions for UK accession (France interested in neutralising Germany's growing clout)
- 1972** ○ – Treaty of accession to the EEC is signed (UK leaves EFTA)
- 1973** ○ – UK (together with Ireland and Denmark) joins the EEC
- 1975** ○ – Membership referendum yields a positive result (67% in favour of continued membership)
- 1980s** ○ – UK (Thatcher) pushing for completion of the Common Market and trying to resist deeper institutional/political as well as monetary/financial integration (vs Fra/Ger)
- 1981** ○ – London Report on EPC: EEC members to discuss security issues for the first time
- 1990s** ○ – Continued hostility (J. Major) vs monetary integration
– UK activism in the development of the CFSP pillar within the Maastricht Treaty
- 1997** ○ – Despite UK objections, the Amsterdam Treaty expands CFSP remit
– UK opt-outs: Schengen, EMU, AFSJ, Charter of Fundamental Rights
- 1997** ○ – New Labour (Blair) comes to power → a "return to Europe":
– 1) maximum active and decisive European policy;
– 2) a strong transatlantic alliance;
– 3) effective national defence;
– 4) freedom of trade;
– 5) strengthening and development of European and international cooperation to counter global challenges and threats
- 1998** ○ – St Malo summit: UK and Fra issue first statement on CSDP and the need for the EU to build independent defence capabilities
- 2001** ○ – The European drive loses momentum, due to the conflict of geostrategic interest with the Fra/Ger axis → UK to revive the transatlantic "special relationship" (e.g. Iraq)
- 2007** ○ – Founding of the EDA: UK instrumental in the process and provides the first Chief Executive, Nick Whitney
- 2008** ○ – Labour government (G. Brown) ratifies the Lisbon Treaty, despite staunch Tory opposition
- 2010** ○ – Tory-LibDem government (Cameron-Clegg): Eurosceptic vs pro-European stances within the government:
- 2015** ○ – E.g. Clegg criticised Cameron's veto in 2011 over the plans to amend the Lisbon Treaty and refusal to sign the new EU fiscal agreement
- 2015** ○ – Tory government (Cameron): UK to hold a referendum on EU membership by 2017

¹ https://is.muni.cz/th/404812/fss_m/Master_Thesis.pdf

² <http://blogs.lse.ac.uk/europpblog/2013/06/10/the-uks-opposition-to-european-integration-is-still-framed-around-the-legacy-of-its-past/>

1 Scenario One: Civilian Power Europe Redux

After the successful 'Leave' campaign, David Cameron has chosen to quit as Britain's prime minister, rather than spend his remaining years in Number 10 negotiating Britain's exit from the EU. After a major Cabinet reshuffle, the new prime minister is an outspoken and committed Eurosceptic who is determined to make Brexit a success. Although disappointed with the choice of the British electorate, the UK's 27 EU partners have reacted calmly and respectfully. Following Article 50 of the Treaty on European Union (TEU), the UK has notified its decision to withdraw from the EU, which takes effect once a withdrawal arrangement has been negotiated and agreed by the European Council. This could take up to two years, and perhaps even longer. In the meantime, a new Ministry of EU Transitional Arrangements (META) is in charge of managing and implementing the transition process. The new META also has a special Department on Foreign, Security and Defence Affairs.¹⁵ After some initial and minor upheavals, financial markets have stabilized and most diplomatic energy is geared towards untying the legal and political knots that have secured Britain to the continent for the past four decades. Although the EU and most member states are reluctant to allow the UK to have a customized relationship with the EU, there is an urgent need to limit the fall-out of Brexit, and to stabilize and normalize the EU–UK relationship as soon as possible. Once again, negotiations on the UK's withdrawal agreement prove that politics is not the art of the possible, but the art of making possible what is necessary. This means that although the EU opposes a 'pick and choose' approach, the UK is allowed a certain privileged partnership with the EU.

Brexit has already cast its shadow on the development of the EU's new Global Strategy on Foreign and Security Policy, which has been agreed at the June 2016 European Council meeting. The new Global Strategy (which replaces the EU's 2003 Security Strategy) pays lip-service to the traditional 'comprehensive approach' to security, but also marks a turn towards a 'Civilian Power Europe', which fits the political outlook of the continent's new (economic and political) leader: Germany. Without British support, France is unable to instil *Realpolitik* in the EU's security discourse, which is now dominated by debates on humanitarian issues, dealing with climate change and intensifying cultural dialogue as key EU foreign and security policies. Criticism of this choice has been waved aside by the argument that Brexit has merely formalized the UK's *de facto* absence from the CSDP. Although the CSDP has emerged from the dynamics

¹⁵ See www.betteroffout.net.

of Franco–British cooperation after the bilateral St Malo agreement of December 1998, the UK and (to some extent even) France have lost interest in a *‘Europe-puissance’*. Britain realizes that it can merely participate within the CSDP, but not play the leadership role that it desires in order to compensate for its marginalized position outside the Eurozone. In 2014, the UK contributed fewer than 50 personnel to CSDP operations ‘on land’ (excluding the UK-commanded CSDP mission Atalanta, which counters piracy off the Horn of Africa),¹⁶ accounting for about 1 per cent of the total number of (local and international personnel) within all CSDP missions. This Brexit-by-stealth (from the CSDP) has occurred over the past decade, hand in hand with the UK’s choice to become (what Julian Lindley-French calls) a ‘pocket superpower’ on its own.¹⁷

The UK’s 2015 Strategic Defence and Security Review (SDSR) stresses that ‘NATO [North Atlantic Treaty Organization] is at the heart of the UK’s defence policy’, and confirms Britain’s ‘special relationship’ with the United States (US) as leading economic and defence powers. It argues that the ‘unparalleled extent of UK–US cooperation on nuclear, intelligence, diplomacy, technology and military capabilities plays a major role in guaranteeing our national security’. The UK’s SDSR also emphasizes key bilateral defence and security relationships with France, Germany and Poland, but offers no commitment to further EU defence cooperation within the CSDP. The UK’s new National Security Strategy offers a quality of strategic thinking that is markedly different from the CSDP, as well as most other EU member states. The UK’s global security partnerships are well developed and go far beyond what the CSDP might craft in the foreseeable future. Arguably, cutting itself loose from the CSDP offers the UK better opportunities to use these ‘special relationships’ (with the United States, the Commonwealth and Anglosphere, and beyond). The SDSR acknowledges that a ‘secure and prosperous Europe is essential for a secure and prosperous UK’. A moderated and phased Brexit does not negatively impact upon the prosperity and stability of continental Europe, and hence does not undermine Britain’s overall security. The UK is now in a good position to prioritize and leverage its bilateral relationship with France, as well as with the United States. The newly elected Republican US president has renounced former US President Barack Obama’s call on the UK to remain part of the EU. Instead, the UK and US are engaged not just in strengthening their ‘special relationship’, but also in developing a flexible ‘Alliance of Democracies’ to fight international terrorism across the globe. The UK also accompanies the US in its long-standing ‘pivot to Asia’. In all of these new initiatives and developments, the EU and its CSDP are absent.

16 Karen E. Smith, ‘Would Brexit Spell the End of European Defence?’, *LSE Blog* (July 2015).

17 ‘The UK Strategic Defence and Security Review 2015: A Conversation’, Europeangeostrategy.org (29 November 2015).

UK defence overview

	Amount	Notes
Overall defence exp.	£34.4bn	5 th largest in the world
Operations exp.	£1.1bn	
Equipment and infrastructure exp.	£7.8bn	
Defence exp. p/c	£532	3 rd largest in NATO
%GDP spent in defence	2.2%	

UK Full Time Trained Military Personnel & Civilians

2015	Strength 1 April 2015	Reserves	Total
Naval	30,060	3,160	33,220
Army	82,230	25,880	108,110
RAF	31,830	2,220	34,050
Total Service Personnel	144,120	31,260	175,380
Civilian	58,160	0	58,160
Total Personnel	202,280	31,260	233,540

The UK's negligible contribution to the CSDP's 'land operations' has been compensated for by the military personnel of other EU member states, which has proven easy since most CSDP operations are gradually being wound down. The EU's Atalanta mission has proven an altogether more difficult case, mainly because Atalanta has been under the command of the Royal Marines from the Operational Headquarters (OHQ) in Northwood in the UK. Finding other EU member states that are able and willing to take over this OHQ has proven difficult, and explains why the Atalanta mission is terminated by 2017. The debate about 'What to do with Atalanta?' within the EU's strategic circles resulted in even more modest CSDP ambitions, now that the UK's military capabilities are lacking. Although Atalanta was the poster boy of Brussels' so-called 'comprehensive approach' to security, the EU has decided to focus on the non-military aspects of its strategic engagement in the Horn of Africa.

Brexit has not just left the CSDP without 'assured access' to key British military capabilities; it has also resulted in an exodus of British diplomatic and military know-how from the European External Action Service (EEAS), as well as many key CSDP planning bodies and agencies (ranging from the Political and Security Committee and the EU's Military Committee, to the EU Military Staff and the European Defence Agency). The replacement of British EU officials has proven harder than expected, and has resulted in a marked change of atmosphere within the EU institutions. Germany's Chancellor Merkel has repeated her call to strengthen the German language within EU institutions, a long-standing political plea that can no longer be thwarted by the UK. Yet it is not so much the shift in language as the changed, almost liberated, political atmosphere within the 'Brussels bubble' that marks the Brexit aftermath. The 2015

Global Strategy has already corroborated the dictum that the EU tends to acknowledge as much threat as it can afford. As a result, Brexit has significantly limited the CSDP's military capabilities and encourages the EU to seize the opportunity of a fading and friendless CSDP by turning itself into a 'civilian superpower'. Without the UK, the EU has become (in Asle Toje's words) a 'small power',¹⁸ and is finally adjusting its ambitions to its (now even more modest) capabilities.

Most (remaining) EU member states have cut their defence budgets to the bone and lack the political will and strategic vision to plan for the use of military force. The recent return of geopolitics because of Russian President Vladimir Putin's bellicosity has not had a lasting effect on the CSDP. Central European EU member states put their faith in NATO for territorial defence, and recognize the EU for what it is: a civilian actor. Brexit solidifies an already existing division of labour between the EU and NATO, where the EU capitalizes on its comparative advantage as a solid and savvy economic and trade actor, and NATO 'does defence'. This is also a sharing of tasks with which the new Conservative (Tory) leadership in the UK is comfortable, which ensures that the UK does not block existing Berlin Plus mechanisms whereby the EU can draw on (some) NATO military assets for its own CSDP operations.

Brexit has not altered the role of one of the EU's main contributors to the European Defence Technological and Industrial Base (EDTIB), the UK-based BAE Systems. BAE is one of the EU's so-called 'system integrators', together with the Airbus Group (France, Germany and Spain), and Dassault (France). Defence-industrial cooperation remains largely determined by national considerations and does not follow the logic and pressures of EU integration. Brexit also does not change the interdependence between the UK and continental Europe, which is exemplified by the UK's dependence on munitions from Germany's Rheinmetall. All EU-based defence industries seek internationalization (especially in the US and Asian markets) and are engaged in acquisitions and joint ventures all over the globe.

Brexit has immediately ended the UK's membership of the European Defence Agency (EDA). The EDA aims to stimulate joint capability and procurement, as well as research and market integration. In the EDA's key cooperative projects, the UK has played a central role because of its defence-industrial capabilities and its military experience. The UK frequently hit the brakes when increases in the EDA's financial and political clout were debated,¹⁹ and consistently blocked moves to set up an EU defence headquarters, which has regularly been discussed within the EU's Military Committee (which the UK

18 Asle Toje, 'The European Union as a Small Power, or Conceptualizing Europe's Strategic Actorness', *Journal of European Integration*, vol. 30, no. 2 (2008).

19 The UK blocked a proposed increase of the EDA's budget by €3.29 million in November 2015, for the fifth year in a row.

has now left). Ironically, after Brexit, these British political blockades have only given way to a widespread lack of interest in defence cooperation among EU member states, and (hence) EU institutions like the EDA. The UK does remain engaged in OCCAR (the Organization for Joint Armament Cooperation), together with France, Germany, Italy, Spain and Belgium. Since OCCAR manages important armament programmes such as the A400M tactical and strategic airlift aircraft, as well as the Tiger attack helicopter, the UK remains actively involved in these important defence projects.

Brexit complicates, but does not pose a serious risk, to the finalizing of the TTIP. Maintaining reciprocal access to each other's market is of vital importance to both the EU and the UK. Brexit is first and foremost a carefully managed and phased process. On most key foreign policy and security issues, the UK and the rest of Europe do not have conflicting interests, and Britain has proven willing to associate itself with EU positions (such as dealing with climate change) on an *ad hoc* basis. The UK follows its traditional 'whole-of-government' approach to security, which notionally corresponds to the EU's 'comprehensive approach'. The EU's emergent choice to develop its soft power and turn into a *Zivilmacht* [civilian power] will not concern, let alone surprise the UK. Since this EU strategic choice acknowledges the military primacy of NATO, it will even illicit some modest, albeit unspoken, UK support.

The cold-turkey option of this scenario assumes that Brexit will not be well managed and less than congenial. After the In/Out referendum, the ensuing negotiations on a withdrawal agreement may well result in acrimony, spoiled by a breakdown of mutual trust. As a result, the EU's preference to develop a Civilian Power Europe may be mocked by the new UK government as a show of weakness in the light of several new and arguably major threats, ranging from Russian assertiveness, to jihadism and the self-proclaimed Islamic state, as well as, further afield, the (military) rise of China. A painful and swift severance of ties is likely to hurt the UK more than (most) EU member states, weakening the UK's position in negotiating new trade deals with the rest of the world. Much will depend on the United States' reaction to Brexit, which (if positive and supportive) may sweeten any pill that the EU may be forcing upon the UK.²⁰

20 Ted R. Bromund, 'Ten Reasons to Rethink US Support for British Membership of the European Union', *Heritage Issue Brief* (29 September 2015).

2 Scenario Two: PESCO Plus UK

The UK's new Tory prime minister indicates that s/he is pragmatic about cooperating with 'Europe' on all fronts, and is even willing to engage on foreign policy, security and defence matters when British interests are served. This is widely considered the best way forward, also because institutional and diplomatic modalities already allow third states to participate (under certain conditions) in intra-EU policy processes. Although the UK is open to allowing pragmatic ties with CSDP initiatives (including missions and operations), there is a clear preference for developing defence cooperation on a bilateral basis. Initially, continental Europe held back on London's proposals to develop *ad hoc* coalitions between like-minded partners on security and defence matters, realizing that the UK has long undermined the EDA (among others) by pursuing bilateral cooperation outside EU-based institutional structures.

The first six to twelve months after Brexit, the EU and its member states confidently planned for deeper security and defence cooperation based on the understanding that with the British irritant out of the way, finding consensus will prove easier. This belief and optimism, however, have proven to be false. The common view that the UK constituted the main barrier to more political and defence cooperation within the EU turns out to be wrong and outdated. Even after Brexit, further EU integration is blocked by several member states, both big and small. Despite paying lip-service to the 'European idea(l)', France remains staunchly sovereigntist. It was France that rejected the European Defence Community in 1954, as well as the European Constitutional Treaty in 2005. Even Germany, which supports the development of the EU along federal lines, has a chequered history that includes blocking the planned merger between defence giants EADS and BAE (2012) and standing in the way of an ambitious EU-based Energy Union.²¹ After a year of lofty initiatives and fervent attempts to move things forward on EU security and defence cooperation, it is decided (out of necessity) to accept the standing British offer to intensify links between the UK and the EU member states and CSDP. This emerging compromise also finds its way into the UK's withdrawal agreement with the EU.

21 Mark Leonard, 'The British Problem and What It Means for Europe', *ECFR Policy Brief* (March 2015), p. 7.

EUROPEAN DEFENCE – LEGAL FOUNDATIONS

CSDP LEGAL FOUNDATIONS ¹	
TEU article	Main provisions
42	<ul style="list-style-type: none"> – CSDP to be an integral part of CFSP, providing the EU with an operational capacity drawing on civilian and military assets – CSDP shall include the progressive framing of a common Union defence policy – MSs shall make civilian and military capabilities available to the Union, and shall set to progressively improve their military capabilities – CSDP-related decision shall be adopted unanimously by the Council – Mutual defence clause: if a MS is the victim of armed aggression on its territory, the other MSs shall have towards it an obligation of aid and assistance by all means in their power – CSDP shall be consistent with NATO commitments
43	<ul style="list-style-type: none"> – “Enhanced” Petersberg tasks: <ul style="list-style-type: none"> • Joint disarmament operations • Humanitarian and rescue tasks • Military advice and assistance • Conflict prevention and peacekeeping • Combat forces in crisis management, including peacemaking and post-conflict stabilisation – HRVP shall ensure coordination between the civilian and military aspects of the tasks
44	<ul style="list-style-type: none"> – The Council may entrust the implementation of a task to a group of MS who are able and willing
45	<ul style="list-style-type: none"> – European Defence Agency (EDA) shall: <ul style="list-style-type: none"> • Contribute to identifying MSs’ capability objectives and commitments • Promote operational harmonisation • Propose multilateral projects • Support defence technology research – EDA open to all MSs – Council to decide on EDA’s statute, seat and operational rules by QM
46	<ul style="list-style-type: none"> – Permanent structured cooperation (PESCO) (cf. art.42.6): <ul style="list-style-type: none"> • Open to MSs whose military capabilities fulfil higher criteria • Following notification from the relevant MSs, the Council shall establish PESCO by QM after consultations with the HRVP • Decisions and recommendations within PESCO shall be adopted by unanimity

¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2008:115:0013:0045:en:PDF>.

Brexit has encouraged both France and Germany to look more favourably on permanent structured cooperation (PESCO) as a mechanism to enhance their bilateral security and defence cooperation, with a view to strengthening the EU’s ambitions to arrive at (what German Defence Minister Ursula von der Leyen calls) a ‘European Defence Union’ (EDU).²² The November 2014 European Council already adopted a ‘Policy Framework for Systematic and Long-Term Defence Cooperation’, aimed at ensuring convergence of Europe’s defence systems in the spirit of PESCO. It is argued that since PESCO is exclusively concerned with defence, it is ‘a kind of [defence] union that dare not speak

²² Andres Ortega, ‘A European Army? But First a Defence Union’, *Elcano Blog* (17 March 2015).

its name', a half-way house between unencumbered bilateralism and 'structured' (that is, structure-imposing and embedded within the EU) cooperation.²³ Although PESCO's legal provisions (as laid down in Articles 42, 43 and 44 of the TEU) are complex and even rather vague, the bottom line is that PESCO offers EU member states 'whose military capabilities fulfil higher criteria and which have made more binding commitments to one another' a framework to make security and defence deals. As few as two EU member states suffice to activate the PESCO clause, something which has not occurred until now. The February 2015 Solana Report (titled *More Union in European Defence*) already called for PESCO to manage the EU's complex military geometry.²⁴

Brexit has rekindled the political will and confidence within the EU that the time to use PESCO has finally arrived. The first PESCO initiatives are undertaken by France and Germany (with the support of the Netherlands and Belgium), with the specific aim of developing a new 'variable security and defence geometry' binding militarily capable and politically ambitious EU member states together. Concepts like a new 'European Defence Zone' (akin to the Eurozone) are bandied about, based on the understanding that PESCO might develop into a more ambitious, but also open and flexible, modular defence arrangement.

The notion of a multi-speed Europe (based on 'differentiated integration') has always been whole-heartedly supported by the UK, and has given rise to major initiatives such as the Schengen Area and the euro (which have not included the UK). This is the kind of flexible EU that the UK favours and with which it feels comfortable, mainly since it can opt in (or out) as it sees fit. The UK's 2015 SDSR already indicated that Britain would be mostly keen to strengthen defence cooperation with France (which is considered one of the two European nations – with the UK – 'with the full range of military capabilities and the political will to protect [its] interests globally'), and Germany (considered a key partner on 'intelligence sharing and collaboration on tackling terrorist threats'). UK–French security and defence cooperation has most recently been invigorated and formalized by the 2010 Lancaster House Treaties and by the UK–France Summit at Brize Norton in Oxfordshire in January 2014. A Combined Joint Expeditionary Force is operational (since 2016), providing a rapid reaction force of up to 10,000 personnel to respond to crises in Europe and beyond. Bilateral cooperation with Germany focuses on equipment and sharing the costs of common aircraft (for example, Typhoon and A400M).

23 Frédéric Mauro, 'Permanent Structured Cooperation: The Sleeping Beauty of European Defence', *GRIP Analysis Note* (27 May 2015), p. 3.

24 Javier Solana (with Steven Blockmans and Giovanni Faleg), *More Union in European Defence*, CEPS Task Force Report (February 2015).

Brexit has encouraged France to activate the PESCO mechanism with Germany in an effort to get the best of both worlds: opening a path towards a European Defence Union; while maintaining close bilateral defence ties with the UK. It is in the UK's declared interest that the EU does not slip into its comfort zone as a 'civilian power', but that the EU instead maintains a high level of defence cooperation, and at the same time remains open to flexible arrangements with third countries. The UK realizes that the CSDP needs new impetus, since defence bilateralism has proven to be unsuccessful and unsatisfactory. For example, the UK–French alliance concluded at Lancaster House in 2010 has underachieved at the industrial and capabilities level. Cooperation has failed when it comes to aircraft carriers, armoured vehicles, frigates and submarines. Moreover, the many expectant efforts at 'pooling and sharing' military capabilities among EU member states have also ended in an anti-climax (apart from the European Air Transport Command, EATC). Against this background, PESCO is now considered possible (and even necessary) to compensate for the loss of Britain's defence capabilities that were available to the CSDP. At the same time, PESCO is also billed as a useful platform for coordinating a new security and defence relationship with the UK, now that it has left the EU (and hence cannot participate within PESCO proper). Given the vagueness of its legal provisions, PESCO will learn by doing, which makes the establishment of a pragmatic link with the UK feasible.

UK and CSDP

Mission	Area of work	UK staff (as of 2014) ¹	Int'l staff
EULEX Kosovo	Policing/rule of law	40	734
EUMM Georgia	Monitoring	19	250
EUPOL Afghanistan	Policing/rule of law	9	203
EUAM Ukraine	Policing/rule of law	10	80
EUCAP NESTOR (Horn of Africa)	Counter-piracy	4	61
EUCAP Sahel Mali	CT/organised crime	1	56
EUPOL COPPS (Occupied Palestinian Territories)	Policing/rule of law	4	43
EUBAM Libya	Border management	2	42
EUSEC DR Congo	Security sector reform	3	41
EUCAP Sahel Niger	CT/organised crime	1	31
EUPOL DR Congo	Policing/rule of law	0	22
EUBAM Rafah (Occupied Palestinian Territories)	Border management	0	2
		93	1565

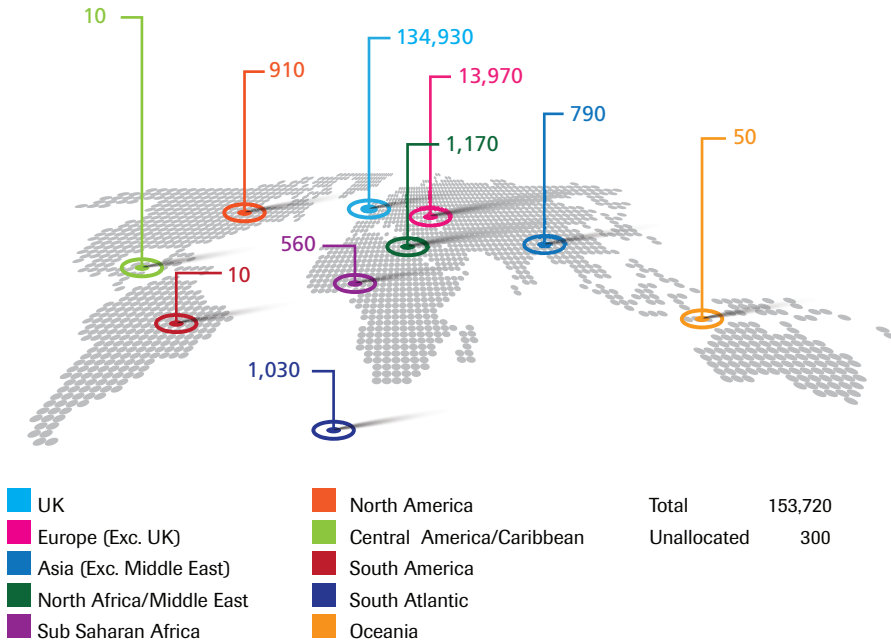
¹ <http://www.sclr.stabilisationunit.gov.uk/publications/employee-guide-series>.

The turn towards PESCO aims to get the CSDP's cake and to eat it too: to open the way towards a real European Defence Union, but through small steps, led by coalitions of the able and willing, and even open to third countries like the UK. PESCO will also illustrate and emphasize the reality that foreign, security and defence policy in Europe is led by powerful and activist member states, often in small groups (through a so-called *directoire*.) Germany, France and Poland (which constitute the informal Weimar Triangle) *de facto* shaped the EU's foreign policy response with regard to Russia's annexation of Crimea and the war in eastern Ukraine. The UK (as well as the EU with its impressive post-Lisbon Treaty institutions and frameworks) was notably absent, and merely endorsed the *fait accompli* that had been framed by others. PESCO will formalize and structure these initiatives within an EU context, opening up opportunities for the UK to engage on a flexible basis with the CSDP, as it sees fit.

This 'PESCO Plus UK' scenario does not impact upon the negotiations on the TTIP or the EU's performance within major global governance frameworks. Successful PESCO initiatives may well pave the way for more coherence within the CSDP, dragging other EU member states into the realm of a more ambitious vision on European defence, with a view towards creating an EDU. The impact on NATO, however, is unclear. Some Central European countries have indicated that they feel 'betrayed' by the UK's Brexit, mainly since the EU is now under the undisputed leadership of Germany. Still, NATO has itself made the unambiguous choice to develop a network of structured partnerships with countries from the Euro-Atlantic area and the Mediterranean, as well as the Gulf region (and beyond). NATO now pursues dialogue and practical cooperation with as many as 41 countries around the globe. The 'PESCO Plus UK' scenario merely follows this logic of more flexibility, embedded within strong institutional frameworks.

The cold-turkey option (which assumes that Brexit will not be well managed and less than congenial) may apply to the first phase (one year or so) after Brexit. This may initially put a brake on the willingness of the 'new' Tory government in the UK to partner with the EU on security and defence matters. Still, given the UK's laudable spirit of pragmatism, mutual interests will dictate that the UK remains prepared to work with whatever defence structure comes about within the EU, mainly because most EU member states face similar foreign policy, security and defence challenges. Moreover, the fact that the UK has withdrawn from the EU does not change the geographical reality that it is still part of Europe.

Worldwide UK Regular Military Presence 1 April 2015¹



¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/467482/20151013-UK_Defence_in_Numbers_screen.pdf

3 Scenario Three: Unleashed Continental Europe

Brexit has offered the UK the opportunity to resume its role as an independent sovereign state that is no longer the subject of EU law, no longer paying £9.5 billion to the EU's budget, and no longer shackled to the EU's Common Commercial Policy but at liberty to sign (free-) trade agreements with the whole world.²⁵ Brexit's benefits are not only significant for the UK, but also for the EU's CSDP. The scenario of an 'Unleashed Continental Europe' supposes that the EU will take the opportunity of Brexit to combine existing plans to develop a full-fledged Political Union with a European Defence Union (EDU). For the UK, plans to construct a United States of Europe no longer pose any threats. The 'new' Eurosceptic Tory government follows Winston Churchill's maxim (formulated in 1946) that a 'United States of Europe' would 'provide a structure under which it can dwell in peace, in safety and in freedom'. After Brexit, the UK is rather agnostic about the EU's reinvigorated CSDP, most probably because it remains sceptical that it will ever amount to much. The EU, on the other hand, realizes that it faces an existential challenge: either the EU takes serious steps towards developing a 'European army' based on a solid European Defence Technological and Industrial Base (EDTIB), or the EU chooses the easy way out by rescinding on defence and taking on civilian missions only (see Scenario One above).

After Brexit, the EU adopted most (if not all) of the practical suggestions to bolster the CSDP that were made in the 2015 Solana Report: A permanent EU military headquarters has been set up in Brussels; high-level decision-making on the CSDP has been improved, most notably by organizing regular defence debates within the European Council and a new ministerial forum for consultation on decision-making; the levels of common funding for EU operations have increased; PESCO has finally taken off; and plans are made to strengthen the CSDP so that it can make a robust contribution to territorial defence that is complementary to NATO. On top of all of these ground-breaking changes, a so-called 'European Semester' has been introduced to enhance the defence budgets and capability development plans of member states through a structured process of peer pressure and EU support. Plans are also revealed to consolidate national defence budgets under the supervision of the EU (most notably the EDA). Plans to strengthen the CSDP have always been around, but have gained political support with the new 'arc of instability' that emerged after 2010, stretching from the Sahel to the Horn of Africa, through the MENA region and the Caucasus, and up to the

25 Daniel Hannan, 'What Brexit Would Look Like for Britain', *The Spectator* (23 January 2016).

new 'front line' in eastern Ukraine. Brexit has proven to be the catalyst consolidating support to reinvigorate the CSDP, based on the widely shared understanding that without the UK, major steps towards a federal EU can now, finally, be made.

In October 2015, European Commission President Jean-Claude Juncker lamented that '[i]f I look at the common European defence policy, a bunch of chickens would be a more unified combat unit in contrast'.²⁶ Brexit has proven to be the much-required game-changer for the CSDP, opening up the necessary thinking space to develop a European Defence Union (EDU) along the lines of the already existing Economic and Monetary Union and the proposed European Energy Union. The EDU has quickly become the widely agreed *finalité stratégique* [strategic purpose] of the EU, including a high level of ambition that includes the political and military ability to conduct autonomous combat operations beyond the EU's borders. The 2016 European Global Strategy has been the discursive launching pad of these ambitions, setting in motion a bold review process of the CSDP, taking into account Europe's post-Brexit strategic environment. One of the most impressive innovations has been the new permanent EU Military Headquarters, which aims to ensure quick and effective planning, command and control procedures without any reliance on NATO. For a few months, CSDP bodies have become fully integrated into EEAS structures, making it easier to 'think strategically' within a setting that used to be mainly civilian in political outlook. The existing ATHENA system (which is used to finance CSDP operations) has given way to a commonly funded CSDP/EDU budget, based on 'Joint Financing', including an EU trust fund for defence research and development. Within less than two years of Brexit, the often-ridiculed idea by Commission President Juncker to make serious steps towards a true 'European army' seems altogether possible, although certainly not yet within reach.

The 'Unleashed Continental Europe' scenario assumes that Brexit sparks the already looming drive to turn the EU's Political Union into a full-fledged federal Europe, which by necessity includes a strong security and defence component. Two factors have proven to be decisive. First, although the UK has certainly not been single-handedly responsible for blocking the development of a more solid CSDP, Brexit has allowed the CSDP to become fully and organically incorporated within the process of federalizing the EU. The Eurozone has consolidated and manifested itself as the EU's power centre, rebuffing any political concerns that the EU might become rudderless without the UK. Instead, Brexit has boosted the EU's confidence, established a new working relationship with the UK's new Tory government, and has proven that the EU (and the European integration process in general) is more robust and resilient than many had expected. Moreover, Brexit has shown that leaving the EU is a viable option, making the disintegration of the EU possible in cases of other member states wanting to follow the UK's path towards

26 Quoted in Robin Emmott, 'Risk of "Brexit" Deals Further Blow to EU Defense Hopes', *Reuters* (28 October 2015).

the exit. The drive towards a federal Europe has become necessary to forestall further fragmentation by making a United States of Europe irreversible.

Second, the EU realizes that Brexit not only recalibrates Europe's security balance, but also further limits its military relevance to US policy-makers. US Secretary of Defense Robert Gates already warned in June 2011 that 'if current trends in the decline of European defense capabilities are not halted and reversed, future US political leaders – those for whom the Cold War was not the formative experience that it was for me – may not consider the return on America's investment in NATO worth the cost'.²⁷ Brexit would turn the EU into a 'small power', making the choice for a federal Europe with a solid CSDP/EDU the only realistic choice to keep the United States on board, and hence to save NATO as well. This last reality also sways EU member states with a traditional Atlanticist foreign policy orientation (which includes Germany and the Netherlands, as well as Poland) to embrace the CSDP/EDU.

An emergent United States of Europe will have only marginal implications for the EU's capabilities to tip the scales in the on-going TTIP negotiations with the United States. On the one hand, a federal EU will surely strengthen the Common Commercial Policy, whereas Brexit will inevitably reduce the EU's economic, financial and political weight. A federal EU will certainly facilitate a more coherent 'European voice' in many multilateral institutions, including the United Nations, the International Monetary Fund and the World Bank. Then again, the debate about the EU taking over the permanent seats of the UK and France in the United Nations Security Council will surely be dead and buried after Brexit. In this scenario, it hardly makes much difference whether the UK follows a Flexit option, or whether it will go 'cold turkey' on the EU. Flexit is in all three cases the highly preferred option, for both the UK *and* the EU, but mainly since it is (after four decades of close cooperation) better to separate on good rather than bad terms, particularly since the UK may well thwart the EU's drive towards federalism if London considers such a consolidated continental Europe to be against its interests. Over the centuries, the UK has fought many bloody wars for exactly these reasons (and won them all to boot). However, the cold-turkey option might also encourage a *jetzt erst recht* [now more than ever] attitude within the EU, driven by a reinvigorated political will (especially in Germany) to make the most out of a politically fluid situation.

27 'The Security and Defense Agenda (as Delivered by Secretary of Defense Robert Gates, Brussels, Belgium, June 10, 2011)', *The Washington Post* (10 June 2011).

Conclusion

These scenarios come with several caveats, most notably that Brexit may not occur after all. One thing, however, is undisputed: the UK In/Out referendum will be a major event that influences the strategic course of the EU, as well as (one may argue, *ipso facto*) the European continent. In some scenario studies it is possible to extrapolate and to take similar previous cases as examples to lay out future trajectories. All of this is not possible when thinking through Brexit's strategic impact on Europe. The In/Out referendum and (a possible) Brexit are without precedent and hence remain shrouded in uncertainty. Martin Wolf has even argued that the British electorate faces a strategic choice, although 'the detailed issues are too complex for the public to judge'.²⁸ Be that as it may, the In/Out referendum will take place, setting a precedent for other EU member states. This Clingendael Scenario Study arrives at the following three conclusions.

First, if Brexit is managed well (the Flexit option), the EU will face an existential choice: take the Civilian Europe path (that is, abandon the CSDP as we know it); opt for a United States of Europe (replete with a European Defence Union); or choose a flexible defence cooperation that includes the UK (albeit at arm's length). Brexit is likely to be the catalyst for a thorough revision of the CSDP. There is little doubt that the EU will become, at least for a while, absorbed in a hectic policy debate about the future management of the EU and the European continent. Such a debate is long overdue and may well make a positive contribution to the development of the EU's nascent strategic culture. The final choice will depend on how Brexit is managed by the EU and its member states, as well as the UK's new Tory government. External actors such as the United States and Russia may (in their own very different ways) also play a role.

Second, Brexit is not the doomsday scenario that some EU officials and Europhile commentators and analysts make it out to be. The EU's deplorable condition is largely of its own making, most notably because of its many botched policies (ranging from the bungled euro project and its failure to secure the EU's external borders, to its unresponsiveness to the rising tide of nationalist sentiments). Brexit should be considered the consequence of the EU's many failed policies, rather than the cause of the EU's problems. It is therefore important for responsible EU officials and European leaders not to paint the devil on the wall by suggesting that Brexit will only benefit Russia or bring the EU (and Europe in general) closer to war. Not only are these apocalyptic visions imaginary, but they are also irresponsible and counterproductive. If managed well, Brexit will not in any way undermine the EU's security. The EU needs

28 Martin Wolf, 'A Vote for Brexit is a Leap into the Abyss', *Financial Times* (8 January 2016).

to frame Brexit as proof that the EU is, at heart, a democratic and liberal 'empire', allowing states to leave in a civilized, well-managed way, if they desire to do so. The EU should also consider Brexit a clarion call to take Europe's rising nationalist sentiment more seriously and to adjust its policies accordingly. The 'PESCO Plus UK' scenario will therefore be the best choice for both the EU and the UK, offering opportunities to deepen security and defence integration within a solid EU context for committed member states, while keeping open the option of *ad hoc* cooperation with like-minded external partners such as the UK and the US.

Third, last and arguably most important: the EU will truly become a 'small power' after Brexit, or, as David Folkerts-Landau, chief economist at Deutsche Bank, argued: '[t]he implications of the UK not being in the EU will truly be devastating for Europe. Europe will become far less important and its impact on foreign policy, within the UN and global decision-making, will be diminished',²⁹ not just geographically, but economically, politically and militarily. This implies that the EU has to tone down its ambitions and behave accordingly. To most of the outside world, the EU behaves like a Rottweiler, but looks like a Dachshund. After Brexit, the EU should make amends and adjust to a new geostrategic reality.

29 Mehreen Khan, "Devastating" Brexit Will Consign Europe to a Second Rate World Power, Warns Deutsche Bank', *The Telegraph* (26 January 2016).

Abbreviations

CSDP	Common Security and Defence Policy
EATC	European Air Transport Command
EDA	European Defence Agency
EDTIB	European Defence Technological and Industrial Base
EDU	European Defence Union
EEAS	European External Action Service
MENA	Middle East and North Africa
META	Ministry of EU Transitional Arrangements
NATO	North Atlantic Treaty Organization
OCCAR	Organization for Joint Armament Cooperation
OHQ	Operational Headquarters
PESCO	Permanent structured cooperation
SDSR	Strategic Defence and Security Review
TEU	Treaty on European Union
TTIP	Transatlantic Trade and Investment Partnership
UK	United Kingdom
US	United States