

Danuta Hübner
Chair of the Committee on Constitutional Affairs, European Parliament

Will Brexit change the political and strategic dynamics of US- European cooperation?

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I would like to start by saying that with or without the Brits both US and EU need urgently a strategic transatlantic agenda. We have common global interests, political and economic. Our national interests are compatible with global engagement. But transatlantic agenda is also important for the world. Uncertainty related to the relationship between the EU and US is not good, creates vacuum which can be filled by others. Russia and China can be mentioned here. Lack of this new agenda has nothing to do with the Brexit.

Let me also be clear that EU has been creating solid foundation for this agenda, demonstrating unprecedented unity, investing in common European defense system and moving forward on needed reforms in all aspects of integration.

We do not see much interest in political circles in Washington in exploring what Brexit is about and what it really means. We have just received information from Brussels that first round of technical negotiations has confirmed huge distance in position on major issues of withdrawal agreement. This is a bad news as the time pressure is growing and insufficient progress will not allow us to move before the end of the year to agree on the framework for the future relationship agreement. We continue with a full uncertainty with regard to the British plans for the landing zone.

To succeed in renewing the transatlantic agenda in the context of Brexit, I believe we will need American side to overcome the dominating instinct to go for bilateral relations with individual EU member states. Brexit is actually a window of opportunity for the change of this paradigm.

We have been for decades confronted on this side of the Atlantic with a decisive role of the UK representatives shaping public opinion regarding European integration. Now, the EU has a window of opportunity to replace UK and fill the gap. Will we be able to do it? It is not going to be easy. Especially as it is the fact of life that in recent history for the first time America has a President who does not seem to appreciate that a strong Europe is in the interest of US.

Let me also say that we should rather act quickly putting the new transatlantic agenda in place so that we do not lack its framework when something important happens.

It is true that the US will lose with Brexit an important connection to EU. This connection used to be much stronger and relevant in the past than nowadays. Nevertheless, UK has always been closer to the US than the rest of the European Union.

Moving to economic dimension, it goes without saying that EU and US are strongly interdependent. It is also true that our companies have to exist globally and act across the Atlantic. That implies that we must continue to develop regulatory cooperation and reduce the risk of further fragmentation.

In particular, Brexit challenge in this context relates to the financial sector. It is true that smaller American banks have not benefitted from EU market through London, but big American financial institutions have benefitted from access to EU through UK. That means that American interests when it comes to the type of relationship UK will hammer out with EU will influence the interest of American companies.

Maintaining the ability of US companies to effectively conduct business both with UK and EU is strategically important for US. Sticking to European norms and standards would be a vital American interest. It is actually amazing in this context that new administration does not seem to pay attention to it as UK has been for many companies a launch pad to export to the entire EU.

It is clear that American companies do not go to UK for UK market only but to conduct business within entire single market. So yes, for the US economy

whether UK leaves single market and customs union is crucial. American companies based in the UK export more to the EU than US companies based in China to the rest of the world. This is an evidence of the importance of access to the single market through UK. And it will be lost.

Few more words on financial sector and Brexit. In 2016 some financial services companies have relocated parts of its business lines to New York. This year we see relocation exercise in the direction of continental EU and Dublin. Of course New York is an attractive location due to cultural proximity, quality of supervision, but also existence of liquidity pools. However, New York does not give access to the EU single market. Hence, this year we see Lloyds moving, Bank of America, Goldman Sachs, yesterday there was a news on Morgan Stanley. Both UK and US have to reflect on how much they can gain from agreements with the EU as compared to agreement between themselves.

A challenge will be also to see disrupted supply chains in production or in research sector. This can to a varying extent affect American economic interests.

Security issues deserve special attention. As you probably know there will be a separate agreement between UK and EU on security. EU, however, made it clear that any trade off between security and other parts of withdrawal or future relationship is unacceptable. Security related ties with Europe are important for UK. It is a nuclear power and it is indeed hard to understand the withdrawal of UK from Euratom. It has closer bilateral links in defense area with some states, in particular with France. In the meantime, EU has undertaken rather bold steps toward building European defense system which will provide a better foundation for cooperation with US within NATO framework. UK has been traditionally blocking this type of steps so Brexit has created a window of opportunity.

In general it is important for US to understand that Brexit will reduce UK influence in the area of the CFSP. Participation in decision making will be lost, including being in the room, drafting, taking square brackets off. It is probable that informal contacts will be pursued but the change will be rather profound.

US, once it will become clear what Brexit would mean for them, might act to prevent that EU without UK might become less Atlanticist when continental Europe will be in the driving seat. Unfortunately, for the time being the new

President is pushing us in this direction.

Of course it is difficult to see today with clarity and certainty all potential outcomes and consequences. New events coming will shape a lot of future decisions.