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The United Kingdom: Issues for the United States

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Summary

Many U.S. officials and Members of Congress view the United Kingdom as Washington's staunchest and most reliable ally. This perception stems from a combination of factors: a shared sense of history and culture; the extensive bilateral cooperation on a wide range of foreign policy, defense, and intelligence issues that has developed over the course of many decades; and more recently, from the UK's strong support in countering terrorism and confronting Iraq. The United States and Britain also share a mutually beneficial trade and economic relationship, and are each other's biggest foreign direct investors.

Nevertheless, some policymakers and analysts on both sides of the Atlantic question how "special" the "special relationship" is between Washington and London. UK Prime Minister Tony Blair has sought to build a good rapport with the Bush Administration to both maximize British influence on the global stage, and to strengthen the UK as the indispensable "bridge" between the United States and Europe. As a result, some claim that London has more political capital in and influence on Washington than any other foreign government. But many British critics charge that Blair has gotten little in return for his unwavering support of controversial U.S. policies, most notably in Iraq. Some have called for a reevaluation of the U.S.-UK partnership, and predict that Blair — who won a third term in office in May 2005 but with a much reduced parliamentary majority — may chart a more independent course from the United States for the remainder of his tenure.

Meanwhile, despite Britain's traditional ambivalence toward the European Union (EU), the UK, in its desire to play a key role in a bigger and more integrated EU, may inevitably be drawn closer to Europe in the longer term, especially if current tensions in the broader U.S.-European relationship persist. Analysts note that some UK foreign policy impulses are closer to those of its EU partners than to the United States. For example, like other EU member states, Britain places great emphasis on multilateral institutions as a means for managing international crises and legitimizing the use of force, and views resolving the Israeli-Palestinian conflict as key to reshaping the Middle East and decreasing the terrorist threat. Others argue that the conduct of British foreign policy has never been nor will it ever be as simplistic as a black-and-white choice between the United States and Europe. Preserving the UK's position as a strong U.S. ally and leading EU partner provides UK foreign policy with maximum flexibility to promote its diverse interests in Europe and beyond. Consequently, the UK will continue to seek close ties with both the United States and the EU for the foreseeable future.

This report assesses the current state of U.S.-UK relations. It examines the pressures confronting London as it attempts to balance its interests between the United States and the EU, and the prospects for the future of the U.S.-UK partnership. It also describes UK views on political, security, and economic issues of particular importance to the United States, and their implications for U.S. policy. This report will be updated as needed. For information on broader transatlantic relations, see CRS Report RL32577, *The United States and Europe: Possible Options for U.S. Policy*, by Kristin Archick.

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The United Kingdom: Issues for the United States

Introduction

Many U.S. officials and Members of Congress view the United Kingdom as Washington's staunchest and most reliable ally. This perception stems from a combination of factors: a shared sense of history and culture; the extensive bilateral cooperation on a wide range of foreign policy, defense, and intelligence issues that has developed over the course of many decades; and more recently, from the UK's strong support since September 11, 2001 in countering terrorism and confronting Iraq. Following the deadly terrorist bombings in London on July 7, 2005, the United States reciprocated, expressing solidarity with the British people and government, and offering any intelligence, law enforcement, or other assistance necessary. The U.S. Senate and House of Representatives each passed unanimous resolutions condemning the London attacks (see S.Res. 193 and H.Res. 356). U.S. authorities have also been assisting their British counterparts with the investigation into the failed July 21, 2005 attacks on London's transport system.

The modern U.S.-UK relationship was largely forged during the Second World War, and cemented during the Cold War by the need to deter the Soviet threat. It is often described as the "special relationship" by policymakers and scholars, in particular because of the unusually close U.S.-UK intelligence arrangement and the unique U.S.-UK cooperation in nuclear and defense matters. The United States and the UK have collaborated in collecting and sharing intelligence since World War II, and London continues to share intelligence with Washington and other English-speaking countries (Australia, Canada, and New Zealand) that it does not share with its European allies or EU partners. UK-U.S. cooperation on nuclear technology also dates back to the 1940s, and the United States has supplied Britain with the missile delivery systems for its nuclear warheads since 1963. During the Cold War, the UK served as a vital base for U.S. forces and cruise missiles and continues to host U.S. military personnel, albeit at reduced levels. And U.S. defense planners view the UK as one of only two European allies (the other being France) able to project significant military force over long distances and in high-intensity conflict situations.¹

Such long-standing cooperation has engendered a degree of mutual trust between the United States and the UK that also extends to the diplomatic and political fields. The United States and Britain are two of five permanent members

¹ For more information on the history of U.S.-UK intelligence and defense relations, see John Baylis, *Anglo-American Defense Relations 1939-1984* (New York: St. Martin's Press), 1984; Martin Rudner, "Britain Betwixt and Between," *Intelligence and National Security*, Winter 2004.

of the U.N. Security Council, and are founding members of NATO. U.S. and UK officials, from the cabinet level to the working level, consult frequently and extensively on the full spectrum of global issues. Many U.S. and UK diplomats report often turning to each other first and almost reflexively when seeking to build support for their respective positions in multilateral institutions or during times of crisis, as in the immediate aftermath of the September 11 attacks on the United States. Some say that the common language and cultural similarities as well as the habits of cooperation that have developed over the years contributes to the ease with which U.S. and UK policymakers interact with each other.

The mutually beneficial U.S.-UK trade and economic relationship is another important aspect of the U.S.-UK partnership. The UK has the fourth largest economy in the world, and the fourth largest U.S. export market. Even more significantly, the UK and the United States are each other's biggest foreign investors.

U.S. military and economic supremacy, however, has caused many to characterize the UK as the "junior" partner in the U.S.-UK relationship, and to note that the relationship is more "special" to Britain than it is to the United States. In the aftermath of World War II, as the British Empire crumbled and the UK's relative poverty and military weakness became evident, the United Kingdom made a strategic decision to stick close to the United States as a way to preserve as much of its fading power as possible, leverage its influence internationally, and better protect its interests in Europe and the world. This has been a guiding principle of British foreign policy, especially since the 1956 Suez Canal Crisis, during which the UK was forced to abandon its joint military operation with France and Israel in the Middle East in the face of U.S. disapproval and economic pressure that led to a run on the pound. Nevertheless, there have been numerous ups and downs in the U.S.-UK relationship over the years.²

As with the Clinton Administration, UK Prime Minister Tony Blair has sought to build a good rapport with the Bush Administration in order to further the "special relationship," maximize British influence on the global stage, and strengthen the UK as the indispensable "bridge" between the United States and Europe. As a result, some claim that London has more political capital in and influence on Washington than any other foreign government. British critics, however, charge that Blair has gotten little in return for his unwavering support of controversial U.S. policies in the fight against terrorism and in Iraq. Some have called for a reevaluation of the U.S.-UK partnership. Others predict that Blair — who won a third term in office in May 2005 but with a much reduced parliamentary majority in part because of public opposition to the British role in the U.S.-led war in Iraq — may chart a more independent course from the United States for the remainder of his tenure.

Since assuming office in 1997, Prime Minister Blair and his Labour Party have also pursued a larger role for the UK in the European Union (EU). The UK stood

² C.J. Bartlett, *The Special Relationship: A Political History of Anglo-American Relations since 1945* (New York: Longman, Inc.), 1992; Gideon Rachman, "Is the Anglo-American Relationship Still Special?," *Washington Quarterly*, Spring 2001; Timothy Garton Ash, *Free World* (London: Penguin Books), 2004.

aside in the early 1950s when the six founding continental countries began the European project. British leaders feared that UK participation in European integration would infringe too much on UK sovereignty and detract from rather than add to British influence in the world. They also worried that the U.S.-UK special relationship would be endangered, despite Washington's assertions to the contrary. The UK finally joined the European Community (EC), the EU's predecessor, in 1973, although many Britons have remained skeptical of the EU and ambivalent in their support for further European integration. The UK has been a consistent supporter of EU enlargement and Turkish membership in the EU, and Blair has been a key driver of EU efforts to forge an EU defense arm and common foreign policy. The UK, however, does not participate in the EU's single currency, the euro, nor in the EU's open borders system. Some analysts suggest that the UK may inevitably be drawn even closer to Europe in the longer term, especially if current tensions in the broader U.S.-European relationship drive the two sides of the Atlantic apart.

This report assesses the current state of U.S.-UK relations. It examines how "special" the special relationship is between Washington and London, the pressures confronting London as it attempts to balance its interests between the United States and the EU, and the prospects for the future of the U.S.-UK partnership. It also describes UK views on political, security, and economic issues of particular importance to the United States, and their implications for U.S. policy.

British Politics

The 2005 Election

Tony Blair has been British Prime Minister since his Labour Party won a landslide victory in May 1997. This election ended 18 years of Conservative (Tory) Party rule. Blair decisively secured a second term in June 2001. On May 5, 2005, the Labour Party won an historic consecutive third term in office. However, Labour's parliamentary majority was reduced from 161 to 66 seats; although Labour won roughly 35% of the national vote, this represented a decrease of over 5 percentage points from Labour's share of the vote in 2001, and the lowest share for any majority British government in modern history.

Public opposition to the UK role in the war in Iraq and domestic questions about Blair's trustworthiness contributed significantly to Labour's diminished majority. UK participation in the war in Iraq has been deeply unpopular among British voters, and has overshadowed much of Blair's agenda for the last two years. Blair has come under repeated fire, including from some prominent members of his own party, for allegedly exaggerating intelligence about Iraq's nuclear and biological weapons capabilities and misleading the UK into war. Labour's opponents used ongoing British casualties in Iraq and government documents leaked during the campaign — that some suggested proved that Blair was committed to the use of force in Iraq as early as the summer of 2002 — to keep the Iraq war and Blair's character as dominant issues in the election. In his own constituency, Blair was unsuccessfully

challenged for his seat by the father of a British soldier killed in Iraq. Some critics contend that Labour was returned to power despite, not because of, Tony Blair.

Both the Conservatives and the other main, albeit smaller, opposition party, the Liberal Democrats, made net gains at Labour's expense. However, they were unable to convince many Labour voters that they represented real alternatives on domestic issues, especially given continued UK economic growth. The Conservatives emphasized law-and-order issues, such as restricting immigration, and ran a negative campaign against Blair's character. They were successful in recapturing some of their traditional base, especially in London, and took some seats from the Liberal Democrats, for a net gain of 33 seats. However, their share of the vote, about 32%, increased less than 1 percentage point from 2001. Despite Blair's difficulties over Iraq, many UK analysts believe that Labour still occupies the center ground in British politics and resonates with "middle England" on a range of issues. Meanwhile, the Conservatives remain divided and unable to fully shake the perception of being a party that is "out-of-touch" with the electorate. The Conservatives were also hamstrung by negative public images of their own leader, Michael Howard, who has since announced he will step down as party leader as soon as a successor is chosen.

The Liberal Democrats ran to the left of Labour and appear to have benefitted from having been the only one of the three main parties to have opposed the war in Iraq. They won roughly 22% of the national vote, an increase of roughly 4 percentage points from 2001, but netted only 11 additional seats. These results, however, were the best showing for the Liberal Democrats in 76 years.³

Table 1. May 2005 UK General Election Results

Party	# of Seats (646 total)	Net # of Seats +/-	% of Vote
Labour	356	- 47	35.3%
Conservatives	198	+33	32.3%
Liberal Democrats	62	+11	22.1%
All Others	30	+3	10.3%

Source: "Full National Scoreboard," BBC News, June 24, 2005.

³ Christopher Adams, "Blair Defends Decision for War with Iraq," *Financial Times*, May 2, 2005; Glenn Frankel, "Blair Wins Third Term," *Washington Post*, May 6, 2005; "Anti-war Backlash Gives Howard Some Heart," *Financial Times*, May 6, 2005; "Lib Dems Celebrate Best Showing in 76 Years," *Financial Times*, May 6, 2005; "Who Deserted Labor?," BBC News, May 7, 2005.

Blair's Agenda

Throughout his tenure, Prime Minister Blair has pursued a policy mix of fiscal conservatism, cautious social reform, and international engagement. Blair has been fortunate to preside over a period of UK economic expansion that began in 1993; between 1997 and 2001, real GDP grew by an annual average of 3.1%. Unemployment is low at just under 5%, and growth continues in the 2-3% range, although it has slowed since the 2001 global economic downturn. Key domestic challenges for the Blair government include improving the delivery of public services, ranging from health care to education; promoting government reforms, especially in the pension and welfare systems; and tackling crime, immigration, and asylum issues. Following the July 2005 London bombings, countering terrorism and Islamist extremism will also be a priority on Blair's domestic agenda.⁴

Internationally, the EU and G8 will figure prominently on Blair's initial third term "to do" list. The UK assumed the year-long rotating presidency of the G8 group of nations in January 2005, and has sought to focus attention on aid to Africa and climate change. The UK also took over the EU's rotating six-month presidency on July 1, 2005. Two major tasks will be forging agreement on the EU's next seven-year budget and managing the current crisis of confidence within the EU following the French and Dutch rejections of the EU constitutional treaty. Commonly referred to as the "constitution," the new treaty was intended to enable an enlarged EU to function more effectively and play a bigger role on the world stage. The French and Dutch "no" votes have thrown its future into doubt and caused some EU members to question the EU's future shape and identity.⁵ The July 2005 terrorist attacks on London will also reinforce the importance the UK places on enhancing EU counterterrorism capabilities during its presidency.

The July 2005 London bombings have given Blair a political boost, at least in the short term. The Conservatives and Liberal Democrats closed ranks behind Blair, insisting that the terrorists would not triumph and that British policies in Iraq or elsewhere in the Muslim world did not justify the attacks. Opinion polls indicate increased public satisfaction with Blair's performance as a leader in the wake of the bombings. At the same time, polls show that over 60% of Britons believe that the government's Iraq policy had increased the risk of terrorist attacks in the UK.⁶

Although the bombings will probably make it easier for Blair to gain parliamentary support for new law enforcement and border control measures against terrorism, it is unclear whether the political goodwill generated will extend to other aspects of Blair's agenda. Many argue that discontent within the Labour party and

⁴ "What's In the New PM's In-tray?," BBC News, May 6, 2005. Also see the Economist Intelligence Unit reports: *United Kingdom Country Report*, June 2005 and *United Kingdom Country Profile*, 2005.

⁵ See CRS Report RS21618, *The European Union's Constitution*, by Kristin Archick.

⁶ James Blitz, "Security Challenges Start a New Political Chapter," *Financial Times*, July 23, 2005; Peter Riddell, "You're To Blame But We Want You To Stay, Voters Tell Blair," *The Times* (London), July 26, 2005.

Blair's reduced majority will make it more difficult for him to push his domestic agenda through parliament. They point out that Blair's parliamentary majority, although still comfortable by historical standards, includes about 50 Labour members who rebelled at least twice against the government in the last Parliament, and who may now feel further emboldened to oppose Blair. Many rebels hail from Labour's staunch left wing and have long opposed Blair efforts to liberalize the British economy and reform its social benefits system. They also reflect an anti-American strain within the Labour Party. Some have been vocal critics of UK policies in Iraq and concerned that UK actions to counter terrorism not infringe on human rights and civil liberties. Many experts believe that they will remain a thorn in Blair's side, especially on controversial social and economic issues.⁷

Some commentators assert that Blair's ambitions to move the UK closer to Europe were also damaged by the 2005 election results. Others suggest that Blair's plans for bringing the UK into the EU's single currency were put on ice long before the election given continued public opposition to relinquishing the pound for the euro. They also say that the EU's own current identity crisis has further eroded the Blair government's appetite for expending its limited political capital on either the euro or the EU constitution. In the wake of the French and Dutch "no" votes, the UK suspended its plans to hold a referendum on the EU constitution in 2006. The Blair government is now seeking to frame the terms of the debate on the EU's future structure and purpose, arguing that EU economic and social reforms are necessary to meet the challenges of a globalized world and to build public confidence in the EU.⁸

The Coming End of the Blair Era

Blair has asserted that he will not seek re-election as Labour leader, but that he intends to serve a "full" third term. However, analysts expect that Blair will step down before the scheduled end of the next parliament in 2009 in favor, most likely, of Gordon Brown, his Chancellor of the Exchequer (equivalent to the U.S. treasury secretary). A week after the election, Blair asserted that he wanted to see a "stable and orderly transition" to a new Labour leader before the next general election. This statement has caused many to surmise that Blair may resign in 2007 or 2008 to allow for such a transition period. Many Blair critics, including some Labour rebels, called for him to go even sooner given what they viewed as disappointing election results.⁹

In light of Blair's improved political fortunes in the wake of the July 2005 terrorist attacks on London, some ardent supporters reportedly are suggesting that Blair should reconsider his decision to quit as prime minister. They note that pressure from Labour rebels for Blair to stand down in the next year to 18 months has dissipated, and that public opinion polls indicate that the number of voters who

⁷ "Drop in Seats Could Bring Turbulence for Labour," *Financial Times*, May 6, 2005.

⁸ "Blair Tells EU To Change or Fail," BBC News, June 23, 2005.

⁹ Graham Bowley, "Blair's New Battle: Labour Leadership," *International Herald Tribune*, May 7, 2005; Frederick Studemann, "Pressure Grows on Blair To Resign as British Leader," *Financial Times*, May 10, 2005; Christopher Adams and James Blitz, "PM's Remarks About Transition Call Third-term Goal into Doubt," *Financial Times*, May 12, 2005.

believe that Blair should resign by the end of 2006 has decreased from almost 40% in June 2005 to 24% in early August 2005. Most UK-watchers, however, believe that Blair will stick to his original plan not to seek re-election as Labour leader. They also note that the boost Blair has received in the polls since the July 2005 attacks may be temporary. Some suggest that if Blair's political fortunes fall again, this may prompt renewed calls for Blair to stand down sooner rather than later.¹⁰

The exact timing of a possible early exit by Blair may also depend on how much resistance he encounters in Parliament; if his legislative agenda stalls, some contend, this could increase pressure on Blair to transfer power quickly, presumably to Brown. This may also be true if Labour candidates fare poorly in UK local elections in May 2006. Blair and Brown have been both close partners and rivals for over a decade. Brown has long aspired to succeed Blair, but was a staunch supporter of Blair in the 2005 election. Some suggest that Blair could still serve a full third term and ensure an orderly transition to a new Labour leader; in this scenario, Labour would anoint at its annual party conference in the autumn ahead of the next election a new leader who, if successful in leading Labour to victory, would take over from Blair as prime minister the day after the poll.¹¹

The UK Between the United States and the EU

UK Foreign Policy Trends

As noted above, strong relations with the United States have been a cornerstone of UK foreign policy, to varying degrees, since the 1940s. Most UK policymakers have looked upon being a loyal ally to the United States as a way to magnify the UK's influence internationally and protect its global interests. In 1944, the UK Foreign Office described its American policy as being to "steer this great unwieldy barge, the United States, into the right harbor."¹² UK officials long viewed themselves as America's foreign policy guide and mentor, often attempting to quietly exert restraint. Some experts suggest that the United States has been more inclined to listen to the UK than to other European allies because of the UK's more significant military capabilities and willingness to use them against common threats.

The UK has also viewed maintaining good relations with the EU as an essential part of British foreign policy, despite ongoing British ambivalence toward the EU. The British government's decision in the 1960s to apply for membership in the

¹⁰ Ben Hall, "Reports of Blair Quitting as MP Dismissed," *Financial Times*, August 1, 2005; "Blair Enjoys Soaring Popularity After London Attacks," Agence France Presse, August 5, 2005.

¹¹ John Deane, "The Winner, But Questions Remain Over Blair's Future," Press Association, May 6, 2005; Sarah Lyall, "A Dour Scot on Blair's Team, Eager for Him To Go," *New York Times*, May 7, 2005; Jackie Ashley, "It Isn't Treason To Discuss the Future of the Leadership," *The Guardian*, May 12, 2005.

¹² As quoted in Robin Harris, "The State of the Special Relationship," *Policy Review*, June/July 2002.

European project was largely driven by concerns that the UK economy was suffering from being outside the club, as well as fears that France's political dominance of the experiment was growing too strong. Ever since the UK acceded to the EC/EU in 1973, successive British governments have sought to balance British interests between Washington and Brussels.

At the same time, some UK foreign policy impulses are closer to those of its EU partners than to those of the United States. This has become more evident as the EU has evolved into a political as well as economic actor and in the years since the 2001 terrorist attacks on the United States. Like its other EU partners, Britain places great emphasis on multilateral institutions as a means for managing international crises and legitimizing the use of force. Meanwhile, the United States views this approach as only one option. Furthermore, the UK's colonial history in the Middle East and its relatively large Muslim community (between 1.5 to 2 million Muslims out of a population of roughly 60 million) influences some of its policy choices in ways that are distinct from those of the United States. For example, London views resolving the Israeli-Palestinian conflict as a top priority — maintaining that it is the key to reshaping the Middle East and decreasing the terrorist threat both at home and abroad — while Washington stresses that peace and stability in the Middle East will not be possible until the threats posed by terrorism and weapons of mass destruction are confronted and removed.

Blair's Transatlantic Bridge

Blair's concept of the UK being the "transatlantic bridge" between the United States and the EU is essentially an extension of long-standing British foreign policy tendencies. The "bridge" notion was meant as a way to engineer a stronger role for the UK in the EU while preserving Britain's position as Washington's most trusted and influential ally. Blair and his advisors argued that close U.S.-UK relations gave the UK more influence in the EU, while the United Kingdom would have more influence in Washington if it played a central role in Europe. They suggested that Britain might cease to matter to Washington if London was perceived as being a fringe player in an EU that was pursuing enlargement and further integration. Former UK Foreign Secretary Robin Cook asserted shortly after Labour's election in 1997 that "Britain will be a more valuable, and a more valued, ally of America if we do actually emerge as a leading partner within Europe. Because a Britain which does not have influence in Europe will be of less interest to Washington."¹³

Other experts suggest, however, that the Blair government was also eager to promote the UK as a leader in Europe to give Britain more options in its foreign policy and decrease British dependency on the United States. Many UK policymakers were alarmed by U.S. hesitancy in the early 1990s to intervene in the Balkan conflicts, prompting serious questioning of U.S. reliability and NATO's role in the post-Cold War era. At the same time, Blair and many of his advisors believed that Europe had failed to pull its weight diplomatically or militarily in the Balkans.

¹³ As quoted in "Britain Tough on Human Rights," Associated Press, May 12, 1997; also see Rachman, *Op. Cit.*; and CRS Report 97-622, *Britain's May 1997 Election: Implications for Foreign Policy of Labour's Landslide Victory*, June 11, 1997, by Karen Donfried.

They recognized that the violence in the Balkans laid bare Europe's inability to manage or intervene in such crises on the European continent, let alone further afield. As a result, they concluded that the European allies needed to be better prepared to undertake peacekeeping or crisis management missions on their own in the event that the United States chose not to participate.

In 1998, Blair reversed Britain's long-standing opposition to the development of an EU defense arm and threw greater support behind EU efforts to forge a common foreign policy. The 1999 NATO air campaign in Kosovo further exposed Europe's military weakness and gave added momentum to these initiatives. The British moves were widely interpreted as an attempt to demonstrate Britain's leadership in Europe at a time when the UK's influence had lessened due to its absence from the launch of the EU's single currency. Blair maintained that any EU defense role should not undermine NATO, and argued that improving European military capabilities would enable the allies to better share the security burden. However, U.S. critics were suspicious that Britain's policy reversal on an EU defense arm indicated that the UK was inclined to support French ambitions to develop the EU as a counterweight to the United States.¹⁴

Relations Post-September 11

Following the September 11, 2001 terrorist attacks on the United States, some analysts contend that Prime Minister Blair has hewed more closely to Washington than to its other EU partners. Many argue that this was because Blair, unlike other European leaders, immediately grasped how September 11 changed everything, both for the United States, but also with regard to the international threat posed by terrorists, especially if they were able to acquire weapons of mass destruction. UK diplomats stress that Blair was deeply concerned about such threats, including the one posed by Saddam Hussein in Iraq, long before September 11, 2001.

Regardless, after September 11, the Blair government made a strategic choice to stand by the United States, and stuck with this choice as the Bush Administration began to pursue regime change in Iraq. According to an account of a March 2002 Cabinet meeting by Robin Cook, who was then Leader of the House of Commons, Blair stated that Britain's national interest laid in "steering close" to the United States because otherwise, the UK would lose its influence to shape U.S. policy. He argued that by seeking to be the closest U.S. ally, Britain stood a better chance of preventing Washington from overreacting, pursuing its objectives in Iraq in a multilateral way, and broadening the U.S. agenda to include what the UK and other EU partners viewed as the root causes of Islamist terrorism, such as the ongoing Israeli-Palestinian conflict.¹⁵

The degree to which the UK has successfully influenced U.S. policy choices in the war on terrorism, Iraq, and other issues has been a topic of much debate on both

¹⁴ For more background, see CRS Report RS20356, *European Security and Defense Policy: The British Dimension*, October 7, 1999, by Karen Donfried.

¹⁵ Ash, *Op. Cit.*, p. 49; and Glenn Frankel, "From Memos, Insights Into Ally's Doubts on Iraq War," *Washington Post*, June 28, 2005.

sides of the Atlantic. UK officials contend that Blair played a crucial role in convincing the Bush Administration to work through the United Nations to disarm Iraq, even though this initiative ultimately failed. They argue that the priority Blair placed on resolving the Israeli-Palestinian conflict helped encourage U.S. efforts in the immediate aftermath of the Iraq war in the late spring of 2003 to become more engaged in the search for peace. British officials also point to the 2001 war in Afghanistan, the 2002 Indian-Pakistani nuclear crisis, and the rehabilitation of Libya as issues where the UK has worked closely with the United States and affected U.S. policy choices. For example, the UK was instrumental in pressing for a meaningful international peacekeeping presence in Afghanistan, which resulted in the creation of the International Security Assistance Force (ISAF).¹⁶

In addition, British diplomats cite the close relationship and trust that has been built between Prime Minister Blair and President Bush as a key reason why the UK gained U.S. acquiescence to the December 2003 NATO-EU deal to enhance EU defense planning capabilities. Many U.S. officials had worried that allowing the EU to develop its own operational planning cell would duplicate and compete with NATO structures, and be a first step in driving the alliance apart. However, Blair reportedly called Bush at least twice to discuss the issue and reassure him that the new EU planning cell would not weaken NATO, thereby securing U.S. support. President Bush asserted publicly that he believed that Blair would “be true to his word” that the EU plan would not undermine the alliance.¹⁷

Critics contend, however, that Blair has gotten little in return for his staunch support of controversial U.S. policies. Over the last few years, many British commentators have described Blair as the American president’s “poodle.” Blair opponents point out that he did not succeed in keeping the United States on a multilateral path with regard to the use of force in Iraq, and although Blair supported giving the United Nations a significant role in reconstructing Iraq, the Bush Administration initially opted for more limited U.N. involvement. Although President Bush made some efforts toward being more engaged in the search for peace in the Middle East in the immediate aftermath of the Iraq war, British critics claim that Bush has not made resolving the Israeli-Palestinian conflict a priority. Most recently, UK critics suggest that U.S. responses to Blair’s G8 initiatives on African aid and climate change fall short, and further demonstrate that Blair’s close relationship with Bush has yielded few benefits for Britain.¹⁸

Some British officials complain privately that many U.S. policymakers expect the UK to function automatically as the U.S. “water carrier” in the EU, that is, to fight for U.S. policy positions on political and security issues such as EU defense structures or EU relations with China. Although UK views on such issues often align with those of the United States, British diplomats assert that U.S. reliance on the UK

¹⁶ Discussions with UK officials and experts, Spring-Summer 2005.

¹⁷ Judy Dempsey, “EU’s Big Three in Deal Over Defense,” *Financial Times*, December 11, 2003; Discussions with U.S. and European officials.

¹⁸ Glenn Frankel, “Party Critics Urge Blair to Stand Up to Bush,” *Washington Post*, October 1, 2004; Richard Stevenson, “In Bush Talks, Blair To Push Africa Aid,” *New York Times*, June 7, 2005; “Enough Payback for Iraq?,” BBC News, June 8, 2005.

to support U.S. interests in the EU or be the “peacemaker” often puts them in an uncomfortable position, causing some EU members to view the UK as little more than America’s Trojan horse. They argue that Washington must be more sophisticated in managing its relationship with the EU, and should engage robustly with other EU capitals, not just London, to argue for its point of view, especially when potentially divisive issues are concerned.¹⁹

Future Prospects

A More Independent UK? Some experts believe that Blair will chart a more independent course from the United States for the remainder of his tenure in office. For example, the Blair government is unlikely to have much appetite for possible military intervention in Iran or Syria, partly because UK forces are already overstretched in Iraq, Afghanistan, and elsewhere. However, even UK political support for any eventual U.S. or Israeli military strikes on Iranian nuclear facilities may not be guaranteed given the ongoing opposition to the war in Iraq and the 2005 UK election results that reduced Blair’s parliamentary majority. Some also suggest that UK officials are eager to portray Iraq as an exceptional case, rather than make the use of military force to solve international crises the model. Blair may place greater emphasis over the next few years on more “voter friendly” areas such as world poverty and climate change; success in these fields could also help Blair polish his legacy as a global leader.

Press reports indicate that core Labour voters remain distressed by the Bush-Blair alliance and dissatisfied with Blair’s quiet diplomacy tactics. A former British Ambassador to Washington, Christopher Meyer, described the Blair approach as one of “total support in public, total candor in private.”²⁰ Some observers suggest that Blair’s advisors may encourage him to disagree publicly with President Bush in the future on areas where British views differ from those of the United States.

Many Labour voters believe that Gordon Brown, upon assuming the prime ministership, may be less likely than Blair to subjugate UK foreign policy to the United States, in part because Brown is viewed as more in tune with the Labour Party faithful. One analyst put it this way: “Other things being equal, Brown would want to be a good ally of the Americans. But he would care more about what the Party thinks.”²¹ This may produce some rhetorical changes in Brown’s approach to the United States. Others contend that Brown is more euroskeptic than Blair, and a strong supporter of the Anglo-Saxon political alliance and economic model; thus, there may be few changes in the substance of UK policy toward the United States.

¹⁹ Discussions with UK officials and experts, Spring-Summer 2005.

²⁰ As quoted in Rupert Cornwell, “The Man Who Believes Quiet Lobbying Can Change the World,” *The Independent*, December 2, 2002. Also see, Frankel, “Party Critics...,” *Op. Cit.*; and “Blair’s Wings Clipped Abroad,” BBC News, May 6, 2005.

²¹ As cited in Glenn Frankel and Dan Balz, “Facing Roadblocks, Blair Quietly Begins Third Term,” *Washington Post*, May 7, 2005.

Several analysts argue that the effect of the Iraq war on the 2005 British election may also make future British governments more hesitant about being as bold of a U.S. ally as Blair was to the Bush Administration. Blair and his successors may be more inclined to ensure that UK policies are in line with those of other major EU partners. BBC correspondent John Simpson commented that, “For the first time since 1941, it may no longer be the automatic choice to stick close to Washington... None of Mr. Blair’s successors for the next half-century will entirely forget what happened to Tony Blair [in the 2005 election] when he chose to support an American president in preference to most of the rest of Europe.”²² Some suggest that the internal EU crisis over Iraq also convinced Blair of the need to forge a more common EU foreign policy, in part to help bolster the UK’s clout in Washington. In March 2003, during Blair’s statement opening the debate on Iraq in the House of Commons, he asserted that Europe, “with one voice,” should have firmly committed itself to backing the United States in addressing the threats posed by Saddam Hussein, but demanded in return that “the U.S. should choose the U.N. path and...recognize the fundamental overriding importance of restarting the Middle East peace process.”²³

At a minimum, some experts suggest that U.S. policymakers should not take future British support for U.S. foreign policy choices for granted. They say the United States will need to devote greater attention to managing the “special relationship” and be willing to take British concerns on board. Several UK analysts point out that Blair and successor governments may make more explicit demands of the United States in the future as the price for its support of U.S. policies.

A Shifting Balance in the U.S.-UK-EU Relationship? UK officials argue that the conduct of British foreign policy has never been as simplistic as a black-and-white choice between the United States and Europe. They point out that UK foreign policy decisions have always been and will continue to be determined primarily by British national interests, and these would not be served by forcing a false and artificial choice between the United States and Europe. UK views on certain international challenges may align more closely with one side of the Atlantic or the other; preserving the UK’s position as a strong U.S. ally and leading EU partner provides UK foreign policy with maximum flexibility to promote its diverse interests in Europe and beyond. Consequently, the UK will continue to seek close ties with both the United States and EU for the foreseeable future, regardless of which party or personalities holds power in either London or Washington. Many experts also note that British instincts toward protecting UK national sovereignty from EU encroachment remain strong, and UK officials are not about to cede their freedom of action in foreign policy and defense matters to the EU anytime soon.

Nevertheless, some analysts suggest that the balance in the triangular U.S.-UK-EU relationship could change in the years ahead, with the UK ultimately drawn closer to Europe, especially if the sense persists in London that Blair has gotten little out of his close relationship with Bush in terms of either the ability to shape U.S. decisions or tangible policy rewards. They point out that geographically, the UK is

²² “Costly Victory for Chastened Blair,” BBC News, May 9, 2005. Also see William Kristol, “An Electoral Trifecta,” *Weekly Standard*, May 16, 2005.

²³ Prime Minister Tony Blair, Speech to the UK House of Commons, March 18, 2003.

much closer to continental Europe than to the United States, and over 50% of UK trade is with its other EU partners. As a member of the EU, the UK has already given up some sovereignty to the Union in certain areas, and is therefore bound to the EU in a much more fundamental way than it is to Washington. Many believe it is only a matter of time before the UK joins the euro, which would reduce the degree of UK exceptionalism within the EU. In addition, commentators suggest that younger Britons feel more European, and future generations of British policymakers, farther removed from World War II and the Cold War, may not share the same conviction as previous generations about the importance of the “special relationship.”

Moreover, as in the late 1990s, some UK experts are questioning U.S. reliability as an ally. They are skeptical about the U.S. commitment to maintaining the broad transatlantic partnership, especially given the numerous U.S.-EU disagreements that have surfaced in recent years on a range of foreign policy and trade issues. Iraq is the most notable, but the list also includes Iran, the Israeli-Palestinian conflict, the International Criminal Court, the treatment of prisoners at Guantánamo Bay and Abu Ghraib, genetically-modified food, and climate change. Divergent U.S. and European views on the role and value of multilateral institutions and international treaties are at the core of many of these disputes. The Bush Administration in its second term has sought to improve relations with Europe, in both NATO and the EU, but differences remain, and many Europeans, including the British, are wary of U.S. unilateralist tendencies. If these current tensions fester and ultimately drive the United States and Europe further apart, it could become increasingly difficult for the UK to straddle the two, especially if British policymakers determine that they have more common ground with their EU partners than with Washington.²⁴

Other UK-watchers maintain that the United States will retain an edge in the triangular U.S.-UK-EU relationship, arguing that there is no place in British politics for a UK foreign policy that does not put strong relations with the United States at its center given the UK public’s euroskepticism and U.S.-UK cultural and historic ties. Many also point out that the UK’s more liberal, free-style market economy is more in line with the U.S. economic and social model than with the highly protectionist, statist social systems that exist in much of continental Europe. Furthermore, they suggest that the balance of power within the EU has shifted in favor of the UK vision for the EU, which is outward-looking and Atlanticist. They assert that following EU enlargement, France and Germany are no longer able to drive the EU forward alone; this will make it easier for the UK to ensure that the EU evolves in a U.S.-friendly way, minimize U.S.-EU tensions, and decrease pressure on the UK to have to choose between Washington and Brussels. They claim that even the dispute over Iraq has been overblown, and was mostly a disagreement between the United States and EU members France and Germany.²⁵

²⁴ For more information on U.S.-EU relations, see CRS Report RS22163, *The United States and Europe: Current Issues*, by Kristin Archick.

²⁵ Discussions with U.S. and UK officials and experts, Spring-Summer 2005.

Current Issues in U.S.-UK Relations

As noted above, U.S.-UK cooperation is extensive and mutually beneficial on a wide range of foreign policy, defense, and economic issues. At times, however, UK national interests come into conflict with Washington and/or its EU partners. This section examines some of the most prominent issues in U.S.-UK relations. Although not exhaustive, the issues chosen seek to demonstrate instances of close U.S.-UK cooperation as well as differences, and serve to evaluate the extent to which some UK policy choices are influenced by competing U.S. and EU preferences.

Countering Terrorism

UK officials assert that London is Washington's leading ally in the fight against terrorism. UK forces participated in the U.S.-led military operation in Afghanistan from its start in October 2001. UK troops are deployed in the NATO-led International Security Assistance Force (ISAF) in Afghanistan, and the UK has the lead on counter-narcotic efforts there. The UK has also sought to strengthen its counterterrorism legislation, stem terrorist financing, and enhance its border controls in the years since September 11. U.S. and British law enforcement and intelligence agencies have served as key partners; the two sides have reportedly been working closely on the July 2005 London bombing investigations.

In August 2005, Blair announced plans to make it easier to deport or exclude foreign individuals from the UK who advocate violence and incite hatred, as well as a number of other new law enforcement and immigration reforms aimed at improving security and tackling Islamist extremism. Critics in the United States and in other countries say that such measures are long overdue. They charge that traditionally liberal asylum and immigration laws in the UK, as well as the country's strong free speech and privacy protections, have attracted numerous radical Muslim clerics claiming persecution at home. As a result, some say the UK has become a breeding ground for Islamist terrorists, such as airplane "shoe bomber" Richard Reid and the "20th" September 11 hijacker Zacarias Moussaoui, both of whom were apparently indoctrinated at radical mosques in London. Until recently, UK authorities have emphasized extended surveillance of extremists as a way to gather intelligence, but some U.S. officials have expressed frustration with what they view as dangerous and unnecessary delays in arresting terrorist suspects or instigators in the UK.²⁶

The UK has been trying to balance its counterterrorism policies against well-established civil liberty protections and democratic ideals. At times, this has also created tensions with the United States. For example, British courts have rejected some U.S. extradition requests for terrorist suspects on the grounds of insufficient or inadmissible evidence. Like its EU partners, London has also expressed serious concerns about the U.S. decision to hold terrorist suspects at Guantánamo Bay, Cuba because it fears that such policies weaken Washington's hand in the battle for Muslim "hearts and minds." However, U.S. and British officials discount worries

²⁶ Steve Coll and Susan Glasser, "In London, Islamic Radicals Found a Haven," *Washington Post*, July 10, 2005; "Different Approach To Tackling Terrorism Exposed," *Financial Times*, July 12, 2005.

that frictions over such issues could impede future law enforcement cooperation, arguing that both sides remain vulnerable to terrorist attacks and cooperation serves mutual interests. The UK also supports EU efforts to improve police, judicial, and intelligence cooperation both among its 25 members and with the United States.²⁷

Iraq

Like President Bush, Prime Minister Blair believed that Saddam Hussein and his quest to acquire weapons of mass destruction posed an immediate threat to international security. Although London would have preferred a second U.N. resolution explicitly authorizing the use of force against Iraq, it ultimately agreed with Washington to forego such a resolution given the opposition of veto-wielding members France, Russia, and China. As noted earlier, Blair backed the U.S.-led war in Iraq over significant public opposition and has paid a political cost, especially within his own Labour party, which was severely divided over the use of force.

About 45,000 British forces served with U.S. troops during the major combat phase of the war. In June 2004, Washington and London worked together to gain unanimous U.N. Security Council approval of a new resolution endorsing the transfer of Iraqi sovereignty and giving the United Nations a key role in supporting Iraq's ongoing political transition. Echoing the view of other EU partners, the UK had been a consistent advocate for a significant U.N. role in rebuilding Iraq to help bolster the credibility of the international troop presence and the reconstruction process. The Bush Administration had initially favored a more narrow, advisory U.N. role in Iraq.

As of September 2005, roughly 8,500 British troops remain in Iraq and have command of the southeastern sector. UK officials assert that current UK and U.S. goals in Iraq are the same: to root out the Iraqi insurgency, to support Iraqi efforts to establish democratic institutions, and to build up Iraqi security capabilities. The UK has supported a role for NATO in training Iraqi security forces. Media reports suggest that London is keen to transfer security responsibilities to Iraqi forces to enable a drawdown of British troops, but UK officials say there is no exit strategy or fixed timetable. A UK military assessment leaked to the press in July 2005 examines cutting UK forces in Iraq to about 3,000 in 2006 in parallel with possible U.S. reductions. Since the March 2003 invasion of Iraq, 95 British soldiers have died.²⁸

Iran

The United States and the UK share similar goals with respect to Iran, including encouraging reforms, ending Iranian sponsorship of terrorism, and curbing Tehran's nuclear ambitions. However, Washington has generally favored isolation and containment, while London has preferred conditional engagement. The UK, with France and Germany (the "EU3"), has been working to persuade Iran to permanently

²⁷ For more on UK efforts against terrorism, see the UK entry, pp. 99-107, in CRS Report RL31612, *European Counterterrorist Efforts since September 11: Political Will and Diverse Responses*, coordinated by Paul Gallis.

²⁸ Glenn Frankel and Josh White, "UK Memo Cites Plans for Troop Reduction," *Washington Post*, July 11, 2005; Discussions with UK officials, Summer 2005.

end activities that could lead to nuclear weapons production in exchange for political and trade rewards. In late 2004, Iran agreed to temporarily suspend its uranium enrichment-related work, and Iran and the EU3 opened talks on a long-term agreement on nuclear, economic, and security cooperation. UK officials stressed that such engagement was the only practical option, argued that the EU3's negotiations were slowing Iranian nuclear progress to some degree, and urged U.S. involvement. London welcomed the Bush Administration's March 2005 decision to offer limited economic incentives if Iran agreed to cooperate with the EU3 on nuclear matters. In return, the Europeans pledged, if negotiations failed, to refer Iran to the U.N. Security Council, where Iran could face trade sanctions.

The EU3's negotiations with Iran have been stalled since August 2005, following Iran's resumption of uranium conversion, an early stage in the nuclear fuel cycle. The EU3 appear increasingly frustrated with Iranian intransigence, and ready to push for an International Atomic Energy Agency (IAEA) resolution that would refer Iran to the U.N. Security Council. Such an IAEA resolution, however, would require a majority vote, and U.S.-EU3 efforts are facing opposition from many IAEA members, including Russia, China, and India. And even if the United States and the EU3 are successful in referring Iran to the Security Council, experts view support for economic sanctions as a remote prospect. Some Europeans, including many British, worry that Washington may ultimately conclude that diplomacy has failed to address the Iranian nuclear threat and that a military option should be considered.²⁹

Israeli-Palestinian Conflict

The UK views a just and lasting settlement to the Israeli-Palestinian conflict as vital to promoting lasting stability in the region and diminishing the threats posed to both the United States and Europe by terrorism and Islamist militancy. Like its EU partners, the UK supports a two-state solution, with Israel and a viable Palestinian state existing peacefully within secure and recognized borders. The UK welcomed Israel's withdrawal from the Gaza Strip in August 2005, but remains concerned that Israel views its disengagement from Gaza as an alternative to the two-state solution put forward in the "road map" for peace authored by the diplomatic "Quartet" of the United States, the EU, Russia, and the United Nations.

UK officials have repeatedly urged the United States to become more engaged in the Middle East peace process. They argue that only sustained U.S. engagement at the highest levels will force the parties to the conflict, especially Israel, back to the negotiating table. The Blair government has sought to inject its own momentum into the peace process at times. In March 2005, London hosted an international conference that focused on promoting Palestinian efforts to democratize and reform. Press reports indicate that London initially proposed a wider peace conference, but Washington preferred a narrower approach. UK officials agree with the United States that the Palestinian Authority must institute democratic reforms and end Palestinian terrorism, but they hope that Washington will also pressure Israel to make more concessions for peace. London supports U.S. efforts to promote democracy in

²⁹ "Straw Attacks Iran Nuclear Stance," BBC News, September 18, 2005; "Facing Opposition, U.S. and EU Backpedal on Iran Action," *Washington Post*, September 23, 2005.

the broader Middle East, but stresses that such an initiative will have a better chance of succeeding if there is progress on resolving the Israeli-Palestinian conflict.³⁰

NATO and the EU

The UK strongly supports NATO and continued U.S. engagement in European security. At the same time, the UK has been a driving force behind EU efforts to create an EU defense arm, or common European Security and Defense Policy (ESDP), to enable the Union to conduct military operations “where NATO as a whole is not engaged” and to help boost European military capabilities. London insists that ESDP be tied to NATO, despite pressure from Paris for a more autonomous defense arm. British officials stress that ESDP provides a more compelling rationale for European governments to spend scarce resources on improved defense capabilities that, in turn, will also benefit the alliance.

Some U.S. experts worry, however, that as the UK seeks to burnish its European credentials in the aftermath of the Iraq war, it may be more willing to cede ground to the French view on ESDP; they fear this could lead to a duplication of NATO structures and erode NATO in the longer term. They are critical of Britain’s acceptance of French-German-led efforts in 2003 to establish an EU operational planning cell independent of NATO, and point to this as an example of Britain’s willingness to allow the French to push the autonomy envelope. UK officials counter that the new EU cell considerably scales back earlier proposals for a European military headquarters, and that language in the NATO-EU agreement paving the way for the new EU cell reaffirms NATO as Europe’s preeminent security organization.³¹

UK policymakers, like the Bush Administration, have not been enthusiastic about German Chancellor Schroeder’s statement in February 2005 that effectively proposed a stronger EU role in transatlantic policymaking. His remarks were interpreted by many as suggesting that the evolving EU, rather than NATO, should be the primary forum for discussions of international security and political issues, such as managing Iran or the rise of China. British hesitancy regarding Schroeder’s proposal may reflect UK concerns that a U.S.-EU dialogue not erode NATO or the U.S. role as Europe’s ultimate security guarantor. British officials also suggest that while greater U.S.-EU political dialogue on issues such as the greater Middle East may be beneficial, it is unlikely that the EU would be willing or able to lead any significant military mission in the region on its own in the near future, and therefore, it is vital that NATO be retained and perhaps bolstered as a forum for political dialogue between the two sides of the Atlantic.³²

³⁰ Steven Erlanger, “Israel Still Open To Road Map,” *International Herald Tribune*, December 16, 2004; Discussions with UK officials, Spring-Summer 2005.

³¹ For more information, see CRS Report RL32342, *NATO and the European Union*, by Kristin Archick and Paul Gallis.

³² Discussion with UK officials, Summer 2005.

EU Arms Embargo on China

The EU has been considering lifting its arms embargo on China, which was imposed after the 1989 Tiananmen Square crackdown. The United States believes that ending the embargo would send the wrong signal on China's human rights record and could help alter the balance of power in East Asia, especially in the Taiwan Strait. France and Germany claim that the embargo hinders the development of an EU "strategic partnership" with China and closer economic ties. Lifting the embargo requires a unanimous decision of all 25 EU members.

The level of UK support for ending the EU arms embargo on China has varied over the last year. In late 2004-early 2005, UK and other EU policymakers appeared to be leaning toward agreeing to lift the embargo. UK willingness to do so appeared based on the view that the embargo was largely ineffective, and that it would only be lifted if a stronger EU export control regime were put in place at the same time. Some observers also suggest that London was keen to avoid another fight with Paris and Berlin so soon after their rift over Iraq.

Britain and other EU members have grown more hesitant recently amid strong U.S. opposition, lingering human rights concerns, and China's adoption in March 2005 of an "anti-secession law" warning of the possible use of force against Taiwan. It now appears likely that the EU's decision will be delayed until at least 2006. The UK is not keen for the embargo to be lifted during its EU presidency given its close political and defense ties to the United States. Nevertheless, many analysts assert that the EU is still politically committed to lifting the embargo. UK officials stress that the embargo is far from water-tight, and its eventual end would be accompanied by an improved EU arms export control regime that they believe would be more effective in curbing arms sales to China, and elsewhere. UK defense manufacturers worry that if the EU lifts its arms ban on China, this could impede U.S.-UK defense cooperation on weapons systems if the United States were to respond by restricting technology transfers to or defense procurement from Europe.³³

Defense Relations

As noted previously, close U.S.-UK defense ties date back many decades. The United Kingdom currently hosts roughly 11,000 U.S. military personnel plus almost 1,000 civilians, as well as their dependents. Britain provides about \$134 million in host nation support, mostly in indirect contributions such as waived taxes and rents.³⁴ The United States is in the early stages of considering alterations to the nature and size of its military presence in Western Europe given the changed security threats. Reducing U.S. troops and bases in Germany will be the main focus of this realignment. It is unclear whether or to what extent facilities in the UK would be affected, according to publicly available information, but most defense analysts

³³ Also see CRS Report RL32870, *European Union's Arms Embargo on China: Implications and Options for U.S. Policy*, by Kristin Archick, Richard Grimmett, and Shirley Kan.

³⁴ See from the U.S. Department of Defense: *Allied Contributions to the Common Defense 2003*, [http://www.defenselink.mil/pubs/allied_contrib2003/allied2003.pdf]; and *Base Structure Report FY2005* [http://www.defenselink.mil/pubs/20050527_2005BSR.pdf].

believe it is unlikely that U.S. military personnel levels in the UK would change significantly given that U.S. force levels in the UK have already been drawn down since the end of the Cold War and most that remain are headquarters staff. U.S. officials say they have been consulting with their UK counterparts, as with other European allies, on U.S. plans and options.

The United Kingdom has participated, albeit cautiously, since the 1980s in the U.S. Ballistic Missile Defense (BMD) program; about \$300 million in U.S. funding has been devoted to joint U.S.-UK missile defense activities since 1986, according to the U.S. Department of Defense Missile Defense Agency. In February 2003, the Blair government agreed to a U.S. request to upgrade the early warning radar complex at Fylingdales, a Royal Air Force base in northern England, for a possible role in the U.S. BMD system.³⁵ UK officials believe that the potential aspirations of North Korea or Iran to acquire nuclear weapons strengthen the case for BMD, but the issue remains controversial for many British parliamentarians and public activists. British critics doubt the technical viability of BMD, worry it could spark a new arms race with Russia and China, and claim that helping Washington will make the UK a more likely target of a ballistic missile attack. In announcing the decision on Fylingdales, then-UK Defense Secretary Geoffrey Hoon stated, “The upgrade does not of itself commit the UK government to any greater participation in the U.S. missile defense program.” In June 2003, Washington and London signed an agreement to facilitate bilateral BMD information exchanges and help pave the way for further UK industrial participation in BMD. Press reports indicate that the United States hopes to base U.S. “interceptor” missiles in Europe as part of BMD, and is considering Britain as a possible site, among others.³⁶

The United Kingdom and the United States are also key customers and suppliers of defense equipment for each other. U.S. government-to-government sales agreements of defense articles, services, and technology to the UK for FY2004 are valued at \$479 million.³⁷ However, the UK also acquires U.S. defense articles and services directly from U.S. defense firms; experts believe that these U.S. commercial defense sales to the UK are substantially higher than government-to-government sales. The British government estimates that total U.S. defense equipment sales to the UK average \$2 billion per year, while UK sales of defense items to the United States average around \$1 billion annually.³⁸

³⁵ Fylingdales is one of three long-range radar posts, along with similar installations in Greenland and Alaska, that comprise the U.S. Ballistic Missile Early Warning System. Data from Fylingdales feeds into the North American Air Defense Command headquarters in the United States and its UK counterpart.

³⁶ “UK to Help Son of Star Wars,” BBC News, February 5, 2003; “U.S., Britain Pen Formal Agreement,” *Defense Daily International*, June 20, 2003; “U.S. Seeking Sites in Europe for Son of Star Wars’ Missiles,” *Independent on Sunday*, November 21, 2004.

³⁷ See the U.S. Defense Security Cooperation Agency’s *Facts Book* 2004, available at [http://www.dsca.osd.mil/data_stats.htm].

³⁸ Office of the British Defense Staff (Washington), “US/UK Defense Trade,” March 2002 [http://www.bdsw.org/internet/dto/DTO_Trade_Balance.htm].

Furthermore, the United States and Britain are engaged in major joint defense procurement projects, such as the Joint Strike Fighter (JSF) program, and British defense companies supply components for several U.S. weapons systems, such as the Patriot Advanced Capability (PAC-3) missile and the Predator unmanned aerial vehicle. British defense firms also have a significant presence in the United States. Most notable is British defense contractor BAE Systems. Since the late 1990s, BAE has acquired several sensitive U.S. defense firms; most recently, in March 2005, BAE announced its acquisition of U.S. defense company United Defense Industries. As a result, the U.S. Defense Department has replaced the UK Ministry of Defense as BAE's largest customer, and BAE's U.S. branch employs 45,000 in the United States, including 35,000 Americans.³⁹

However, some British defense officials and industry leaders complain that while the UK defense market is relatively open, foreign access to the U.S. defense marketplace remains restricted and heavily protected. They point out that the U.S. military uses very little equipment bought from or developed outside of the United States, and this largely accounts for the U.S.-UK defense trade imbalance. Many UK policymakers are also frustrated that U.S. security restrictions hamper technology transfers, which they say impedes UK efforts to cost-effectively enhance British defense capabilities and improve interoperability with U.S. forces. For several years, the UK has been pushing for an exemption from the requirements of Section 38(j) of the U.S. Arms Export Control Act to make it easier for British companies to buy U.S. defense items; this has generally been referred to as seeking a waiver from the U.S. International Traffic in Arms Regulations (ITAR). However, London has been unable to overcome U.S. concerns that UK export controls are not strong enough to ensure that U.S. technologies sold to or shared with Britain would not be re-exported to third countries, such as China. It is now unlikely that either the Bush Administration or Congress would support the UK case for an ITAR waiver should the British decide in favor of lifting the EU's arms embargo on China.

Some military analysts believe that U.S. technology-sharing restrictions may make the United States a less attractive defense supplier or industrial partner for the UK in the longer term. British officials, for example, are increasingly concerned that the UK will not have full access to JSF technology. They claim that the UK's limited access to JSF design data and weapons technology will make it difficult for Britain to maintain or modify its own JSFs, and could affect British procurement plans for the new fighter. Limited UK access to U.S. defense technologies may also cause the UK to be more inclined to "buy European," especially given already existing pressures to do so in order to create European jobs, to ensure a European defense base strong enough to support the military requirements of the EU's evolving defense arm, and to guarantee that European governments and defense industries are not left completely dependent on foreign technology.⁴⁰

³⁹ UDI is a key supplier of combat vehicles (such as the Bradley armored infantry vehicle), munitions, and weapons delivery systems to the U.S. Defense Department. "BAE Systems' Acquisition of UDI Clears Final Hurdle," *Jane's Defence Industry*, June 24, 2005.

⁴⁰ "Agency Is in the Making, But Where Is Support from the Nations?," *Jane's Defence Industry*, July 16, 2004; "UK MPs Meet with U.S. Counterparts To Discuss Problems of Military Technology Transfer," *Jane's Defence Industry*, August 16, 2005.

Economic Relations

The bilateral U.S.-UK trade and economic relationship is extensive and increasingly interdependent. The UK is the fourth largest economy in the world, with a gross domestic product of roughly \$1.8 trillion. The UK is the United States' largest European export market and fourth largest export market worldwide after Canada, Mexico, and Japan. In 2004, U.S. exports to the UK totaled about \$36 billion, while U.S. imports from the UK were roughly \$46 billion. The United States has had a trade deficit with the UK since 1998. Major U.S. exports to the UK include aircraft and parts, information technology and telecommunication equipment, pharmaceuticals, and agricultural products.⁴¹

Even more significantly, the UK and the United States are each other's biggest foreign investors. U.S. investment in the UK reached roughly \$303 billion in 2004, while UK investment in the United States totaled \$252 billion.⁴² This investment sustains an estimated 1 million U.S. jobs. According to studies conducted by the SAIS Center for Transatlantic Relations, the UK has accounted for almost 20% of total global investment flows into the United States over the last five years, and the UK ranks as the single most important foreign market in terms of global earnings for U.S. companies — accounting for 11% of total affiliate income in the first half of this decade. The contribution of U.S. affiliates to the British economy is also notable. For example, in 2002, U.S. affiliates accounted for 6.7% of the UK's aggregate output.⁴³ U.S. exporters and investors are attracted to the UK because of the common language, similar legal framework and business practices, relatively low rates of taxation and inflation, and access to the EU market.

UK trade policy is formulated within the EU context, and U.S.-UK trade disputes are taken up within the EU framework.⁴⁴ Although most of the U.S.-EU economic relationship is harmonious, trade tensions persist. Current U.S.-EU trade disputes in the WTO include government subsidies that the United States and EU allegedly provide to their respective civil aircraft manufacturers, Boeing and Airbus; the U.S. Byrd Amendment, which disburses anti-dumping duties to affected domestic producers; the U.S. export tax subsidy; and the EU's ban on approvals of genetically

⁴¹ U.S. Census Bureau, *U.S. International Trade in Goods and Services: Annual Revision 2004*, Exhibit 13, available at [http://www.census.gov/foreign-trade/Press-Release/2004/pr/final_revisions]; U.S. Commerce Department, *UK Country Commercial Guide*, 2005; U.S. State Department, *Background Note on the UK*, August 2005.

⁴² Jennifer Koncz and Daniel Yorgason, "Direct Investment Positions for 2004: Country and Industry Detail," *Survey of Current Business*, U.S. Commerce Department, July 2005.

⁴³ Joseph Quinlan, *Drifting Apart or Growing Together? The Primacy of the Transatlantic Economy* (SAIS Center for Transatlantic Relations, Johns Hopkins University), 2003; Daniel Hamilton and Joseph Quinlan (eds.), *Deep Integration: How Transatlantic Markets Are Leading Globalization* (SAIS Center for Transatlantic Relations, Johns Hopkins University), 2005.

⁴⁴ A British official, Peter Mandelson, has been EU Trade Commissioner since November 2004. He is the U.S. Trade Representative's key interlocutor on U.S.-EU trade disputes. As a member of the European Commission, however, Mandelson serves the Union as a whole and does not represent the British government.

modified food products. Despite such frictions, the UK has been a consistent supporter of U.S.-EU efforts to lower trade barriers and strengthen the multilateral trading system. The Blair government hopes that the ongoing WTO Doha round of multilateral trade negotiations can be successfully concluded by 2006 to deliver greater global economic growth and better market access for developing countries. As part of this process, the UK, in its EU presidency role, is pushing to liberalize the EU's system of sugar subsidies. The UK also supports efforts to reform the EU's Common Agricultural Policy, a perennial source of U.S.-EU trade disputes.⁴⁵

UK G8 Priorities: African Development and Climate Change

The UK assumed the year-long rotating presidency of the G8 group of nations in January 2005, and aid to Africa and climate change are London's two top priorities. Blair has been pushing for a substantial aid increase for Africa from G8 nations. Key Blair proposals included creating an "International Finance Facility" (IFF), 100% forgiveness of African debt to the international financial institutions, and removing trade barriers to African exports. U.S. officials assert that they share UK concerns about the plight of Africa, and point out that U.S. non-food aid to Africa has been increasing over the last four years, to roughly \$3.5 billion in FY2005. However, Washington reacted coolly to the IFF, which would have issued bonds to finance an additional \$25 billion in annual aid to Africa beginning in 2006, on grounds that it lacked a mechanism to ensure that the money would be well spent.

At the G8 summit in Scotland on July 7-8, 2005, the IFF proposal was dropped, but the UK, the United States, and other participants agreed to increase development assistance to Africa by \$25 billion per year by 2010. G8 leaders also approved an agreement on debt forgiveness for 18 of the world's poorest countries, including 14 in Africa. Both Blair and Bush have sought to portray the summit results as a significant step toward ending poverty in Africa. Some development advocates agree with this assessment, while others have been more skeptical, arguing that the promised aid increases are not enough and pointing out that most of the additional financial assistance will come from the EU rather than the United States.⁴⁶

Climate change was also highlighted at the G8 summit. Like its EU partners, the UK remains dismayed with the Bush Administration's rejection of the U.N. Kyoto Protocol on climate change that sets limits on heat-trapping gas emissions in an attempt to reduce global warming. The Bush Administration maintains that such mandatory caps would be too costly and that the Kyoto Protocol lacks sufficient developing country participation; instead, it is promoting research and technological advances to increase energy efficiency and decrease emissions. UK officials claim that they succeeded in narrowing the gap between the United States and Europe on climate change at the G8 summit. They point out that Washington agreed to language in the G8 communique acknowledging, for the first time, the role of human activity in global warming and the need for urgent action. Critics maintain that the

⁴⁵ For more information, see CRS Issue Brief IB10087, *U.S.-European Union Trade Relations: Issues and Policy Challenges*, by Raymond Ahearn.

⁴⁶ Also see CRS Report RL32796, *Africa, the G8, and the Blair Initiative*, and CRS Issue Brief IB95052, *Africa: U.S. Foreign Assistance Issues*, both by Raymond W. Copson.

final G8 statement on climate change is significantly weaker than earlier British versions, which had called for ambitious greenhouse gas reductions and committed G8 countries to spend a certain amount on new environment-friendly projects.⁴⁷

Northern Ireland

The United States strongly supports UK efforts to implement an enduring political settlement to the conflict in Northern Ireland, which has claimed over 3,200 lives since 1969 and reflected a struggle between different national, cultural, and religious identities. Northern Ireland's Protestant majority (53%) defines itself as British and largely supports continued incorporation in the UK (unionists). The Catholic minority (44%) considers itself Irish, and many Catholics desire a united Ireland (nationalists). For years, the British and Irish governments, with U.S. support, sought to facilitate a political settlement. The resulting Good Friday Agreement was reached in April 1998. It calls for devolved government — the transfer of power from London to Belfast — and sets up government structures in Northern Ireland in which unionists and nationalists share power. It recognizes that a change in Northern Ireland's status as part of the United Kingdom can only come about with the consent of the majority of its people. Implementation of the agreement, however, has been difficult and the devolved government has been suspended since October 2002 amid a breakdown of trust and confidence on both sides. Decommissioning (disarmament), especially by the Irish Republican Army (IRA), and police reforms have been two key sticking points.

The Bush Administration and many Members of Congress continue to view the Good Friday Agreement as the best framework for a lasting peace in Northern Ireland. The Bush Administration has sought to support the efforts of London and Dublin to broker a deal to reinstate Northern Ireland's devolved government and power-sharing institutions. U.S. and British officials assert that the IRA and other paramilitaries must “go out of business” in order to move the peace process forward. The Bush Administration and the Blair government welcomed the IRA's July 2005 statement that it was ending its armed struggle and directing all IRA units to dump their weapons, but have cautioned that the IRA's words must be followed by deeds.⁴⁸

⁴⁷ Juliet Eilperin, “G9 Urges Action on Global Warming, with General Goals,” *Washington Post*, July 8, 2005; Jim Vandehei and Paul Blustein, “African Aid Is Doubled by G8,” *Washington Post*, July 9, 2005.

⁴⁸ For more information, see CRS Report RS21333, *Northern Ireland: The Peace Process*, by Kristin Archick.

Conclusions and Implications for the United States

Despite occasional tensions between the United States and the United Kingdom on specific issues, the so-called “special relationship” offers the United States certain tangible benefits and often serves to buttress U.S. international policies. UK support has been important to the global fight against terrorism, U.S. military action in Afghanistan, and the U.S.-led war to oust Saddam Hussein and efforts to stabilize and rebuild Iraq. UK military capabilities and resources have helped share the U.S. combat and peacekeeping burden in these conflicts, as well as in the Balkans. Britain has been a consistent proponent of developing a greater EU political and security role in a way that complements NATO and promotes a stronger EU as a better and more effective partner for the United States. The two allies also share a mutually beneficial and increasingly interdependent economic relationship, and UK policies within the EU and with the United States have helped to maintain and promote a more open and efficient world trading system.

Whether the UK position within the U.S.-EU relationship and traditional UK foreign policy tendencies are changing are questions that have vexed policy analysts for many years. But beyond the issue of whether changes are afoot lay perhaps two more profound questions: Does it really matter for the United States if the UK draws closer to Europe in the longer term? And in light of the EU’s ongoing evolution, how might a UK either more inside or outside of the EU affect U.S. interests?

Part of the answer to these questions depends on whether the EU evolves into a more tightly integrated body, especially in the foreign policy and defense fields. Some U.S. analysts say that if the EU becomes a more coherent foreign policy actor, this could make the UK a less reliable ally for the United States. If the UK increasingly turns toward its EU partners in formulating foreign policy decisions, this could make it harder for Washington to gain London’s support for its initiatives in NATO or the United Nations. The UK may also be more resistant to being the U.S. “water carrier” in Europe. Some fear that the UK may become less willing to deploy its military force in support of U.S. objectives, or be tempted to support French aspirations to develop the EU as a rival to the United States.

Others argue that a more integrated, cohesive EU in which the UK plays a leading role could make the EU a better partner for the United States in tackling global challenges. Conversely, if a “core Europe” were to develop in which a vanguard of EU member states drove further integration — but which did not include economically liberal and pro-Atlanticist Britain — Washington could lose one of its key advocates within the EU and U.S.-EU tensions could increase. The difficulties with ratifying the EU constitution have sparked renewed discussion of a “core Europe,” presumably with France and Germany in the lead. The UK would probably not join such a “core Europe” given its less-integrationist and free market impulses.

Many assess that further EU integration in the foreign policy and defense fields, however, is impossible without continued British participation, given UK global interests and military capabilities. Thus, EU initiatives in these areas are unlikely to go forward in any significant way without British commitment and leadership. While

the Blair government has been instrumental in recent EU efforts to develop a common foreign policy and defense arm, a future, more euroskeptic Conservative-led government might seek to slow these EU projects.

Others are skeptical about the EU's ability to play a bigger role on the world stage, especially following the French and Dutch rejections of the EU constitution. Those of this view maintain that the EU is far from speaking with one voice on contentious foreign policy issues. If the EU does not move toward further political integration and remains a looser association of member states whose foreign policies continue to be determined primarily at the national level, little may change in the current state of the U.S.-UK-EU relationship, even if the UK moved closer to the EU by joining the euro. This may be the most realistic scenario, in light of the UK's own ambivalence toward deeper EU political integration; many experts contend that no British government would ever relinquish UK sovereignty in the foreign policy or defense fields to the EU.

The future shape and identity of the EU, however, does not rest solely in British hands. It will also depend upon the views and ambitions of other EU members, particularly France and Germany, and the political parties in power. Not only is the Blair era in Britain winding down, but new leaders will likely come to power in Germany and France over the next few months or years and may be more economically-liberal, reform-minded, and Atlanticist than their predecessors. Consequently, Blair or future UK leaders may find themselves sharing more common ground with their French and German counterparts, thereby enabling the UK to promote its vision of a politically strong, economically vibrant EU working in partnership with the United States. An EU shaped more fully to the UK liking, and to that of the United States, may ease U.S.-EU tensions and the pressure on the UK to serve as bridge or peacemaker between the two. However, improved relations among London, Paris, and Berlin might also in the longer term lead the UK to turn more frequently to its other EU partners first — rather than Washington — on foreign policy concerns. As a result, Washington might not hold quite the same influence over London as it has in the past.

At the same time, regardless of whether the EU evolves into a more coherent actor on the world stage or whether the UK draws closer to Europe in the years ahead, the U.S.-UK relationship will likely remain an important factor in the conduct of British foreign policy. In general, the "special relationship" helps to boost Britain's international standing and often gives the UK greater clout in the EU and other multilateral organizations. British officials will persist in efforts to shape decision-making in Washington. However, the extent of U.S. influence on British foreign policymaking in the future may depend in part on British perceptions of the value that Washington places on the UK as an ally. Although British support for U.S. policies should not be automatically assumed, many UK policymakers and experts believe that it is not in British interests to choose between the United States and Europe, and thus, the UK will continue to try to avoid such a choice for the foreseeable future.