

# UC Berkeley

## Working Papers

### Title

Britain, Europe and the world

### Permalink

<https://escholarship.org/uc/item/7dk3c7vb>

### Author

Peterson, John

### Publication Date

1997

A1458  
no. 97-11

# Britain, Europe and the World

John Peterson

Working Paper 97-11



INSTITUTE OF GOVERNMENTAL  
STUDIES LIBRARY

APR 7 1998

UNIVERSITY OF CALIFORNIA

UNIVERSITY OF CALIFORNIA AT BERKELEY

# **Britain, Europe and the World**

**John Peterson**

**Working Paper 97-11**

Working Papers published by the Institute of Governmental Studies provide quick dissemination of draft reports and papers, preliminary analysis, and papers with a limited audience. The objective is to assist authors in refining their ideas by circulating research results and to stimulate discussion about public policy. Working Papers are reproduced unedited directly from the author's pages.

in Patrick Dunleavy, Andrew Gamble, Ian Holliday and  
Gillian Peele (eds) Developments in British Politics 5  
(London: Macmillan, 1997)

## 2

# Britain, Europe and the World

JOHN PETERSON

### Introduction

In the late 1990s, British foreign policy became caught up in a new and different kind of domestic political debate. Party political competition turned far less on economic ideology and far more on constitutional issues, particularly regional devolution and European integration. The 'politics of national identity' moved to the forefront of debates about Britain's future, with considerable knock-on effects for foreign policy.

As a backdrop, the wider world was a fundamentally different place from the one in which three basic principles of postwar British foreign policy had been developed. First, the Soviet threat had to be contained, if not curtailed. Second, the North Atlantic Treaty Organisation (NATO) needed to be preserved as the principal western collective security organization. Third, a 'special relationship' with the United States (US) required constant nurturing, while moves to make the European Union (EU) more than a loose and ostensibly economic organization usually were shunned.

By the mid-1990s, the Soviet threat was gone. NATO had not lost its relevance, but the lack of a clear and present military threat to the west reduced its salience. Meanwhile, the EU became a more weighty and highly political organization which developed ambitions (even pretensions) to a Common Foreign and Security Policy. The US under President Bill Clinton liked to argue that it was 'more supportive of European integration than any administration since Kennedy's' (Peterson, 1996, p. 98).

This chapter offers a broad, interpretive look at Britain's role in the world. Its central argument is that the United Kingdom (UK)

John Peterson

21

continues to /punch above its weight/ as an international actor. However, its political class has been slow in responding to sweeping changes in both international politics and Britain's essential foreign policy interests. Given the climate of debate over 'Europe', the new Labour government's sudden and enthusiastic turn towards 'constructive engagement' with the EU after the 1997 election was almost as striking as the scale of its landslide victory. It also highlighted the difficulty - even futility - of maintaining Britain's international standing without fundamental changes in its foreign policy.

7/07

### The Theoretical and International Context

The transformation of the international system after 1989 recast debates between advocates of competing theories of international relations. Against the odds, neo-realism remains the dominant approach to international politics. Its proponents assume that the international system is 'anarchic' in nature, marked by relentless competition between self-interested states, and characterized by relatively weak international organizations. Neo-realists are stubbornly pessimistic about the durability of Cold War alliances in a post-Cold War world. In particular, conservative American commentators forecast the 'collapse of the West' and insist that 'the days of allies are over' (Harriss, 1993; Steele, 1995).

'Neo-liberalism' denotes a broad, alternative theoretical church. It includes 'institutionalists' who insist that international organizations such as the EU and United Nations have become important actors in their own right (Keohane *et al.*, 1993), as well as liberals such as Fukuyama (1992) whose forecast of the 'end of history' after 1989 is now notorious. The essential neo-liberal argument is that the interests of states are fundamentally altered by economic interdependence, which emerges from open markets for global commerce. By nature, open markets require co-operation between relatively liberal states, which are unlikely to compete with each other militarily. Military force, over which states usually exert monopoly control, becomes a less important source of power. Economic ~~strengths~~ knowledge and the ability to process information, which are shared between states and firms, are more important tools of influence.

7/ power

Many neo-realists concede that economic competition between states has become a more important dimension of international politics. Still, most argue that the decline of military strength as a central medium of international politics has been exaggerated. Economic sanctions, for example, could not get Iraq out of Kuwait. Neo-liberals respond that a neo-realist model of state-centred competition ignores the structural shift in power from governments to markets in the 1990s. Deregulation, privatization and declining subsidies became the hallmarks of domestic economic policies in Britain and elsewhere, while external policies focused on expanding trade and attracting foreign direct investment. Most states appeared to lose both the will and capacity to steer their domestic economies as the falling costs of transport, communications and technology transfer yielded an increasingly seamless, 'globalized' economy.

Perhaps paradoxically, globalization appears to weaken governments, while making their policies – on investment, education and infrastructure – more crucial determinants of the competitiveness of their national firms. With investment flowing more freely across borders, and non-western states developing modern infrastructures and workforces, the same production techniques become available to businesspeople in Bombay, Bangkok or Basingstoke. Governments that make bad decisions are punished quickly and ruthlessly by globalized markets which channel investments elsewhere (Bryan and Farrell, 1996).

In this context, Britain's economy has become highly integrated with the global economy. Compared to most states, it has both more to gain and more to lose from its relative international economic position. On one hand, the UK is better-placed than many of its rivals. Its labour market is the most flexible in Europe. Britain attracts about 40 per cent of all investment in the EU by foreign companies, which account for about 15 per cent of all British jobs and tend to offer good salaries and working conditions. After a painful shake-out in the 1980s, British industry is now more specialized, internationalized and competitive. The UK leads Europe in computer ownership per capita and is strong in telecommunications, the world's fastest growing industry. By many economic measures, it is no longer losing ground to other industrialized countries.

On the other hand, Britain's competitive edge reflects the

*John Peterson*

23

deterioration of other advanced economies, particularly in Europe, more than its own improvement. It was the only industrialized nation that was spending less of its national wealth on research in the mid-1990s than it did in 1981. Investment in manufacturing remained sluggish. Britain still ranked near the bottom (just ahead of Greece) of advanced states in terms of the percentage of 18-year-olds in full-time education and training. Increased labour market flexibility did little to break down class barriers which made Britain a less socially mobile society than Australia or the US. Britain's 'persistent and large rise in earning inequality' in the 1990s was unequalled by any other industrialized country (OECD, 1996). The poverty rate continued to rise, after very sharp increases in the 1980s. Yet, at the 1995 Copenhagen international summit on social development, the former Social Security Secretary, Peter Lilley, insisted that Britain did not need new anti-poverty measures.

Of course, it is impossible to assess Britain's role in the world on the basis of economic criteria alone. Even if one accepts the argument that 'as the economy weakens, the country's international prestige is waning' (Hutton, 1995, p. 1), the thesis is too simple. The UK remains an important military power and a core member of leading international organizations. 'New' security issues such as crime, terrorism and ethnic conflict have risen on the international agenda, and the UK offers special expertise on all of them. For example, following the terrorist bombing at the 1996 Olympic Games in Atlanta, Britain responded to American overtures with proposals to build on its experience in Northern Ireland in organizing new international anti-terrorist measures.

For Britain, more than most other states, the post-Cold War world implies new dilemmas. According to its Foreign Secretary, Robin Cook, the new Labour government was determined to confront them above all by ending the 'sterile, negative and fruitless conflict' between the UK and its EU partners (quoted in *Financial Times*, 9 May 1997). More than previous Conservative governments, Labour appeared ready to acknowledge the irreversibility of Britain's interdependence with Europe, the increased primacy of economic over traditional security issues, and the long-standing paradox of Britain's stubbornly nationalized policy and increasingly globalized economy.

**Britain in the European Union**

On 'Black Wednesday' in September 1992, enormous turbulence in currency markets forced the pound sterling out of the European exchange rate mechanism (ERM). The government of John Major had staked its entire economic strategy on maintaining sterling's value within the ERM, which was intended to keep currency rates stable and facilitate trade in the EU's internal market. The ERM also provided a platform for full Economic and Monetary Union (EMU) and a single currency, one of the most audacious and dramatic steps mooted in the postwar history of European integration. Black Wednesday marked a watershed: from this point forward, 'Europe' dominated domestic political debate in Britain.

Over the next four years, Major and members of his cabinet often seemed forced to scorn the EU just to occupy a middle ground within the Conservative party. British negotiating positions on a range of key issues were perceived in Brussels and Strasbourg as extreme and miles from the European consensus. In London, British withdrawal from the Union was favoured by a hard-core of around a dozen Conservative MPs. They held considerable sway over a government which enjoyed a much smaller majority than its predecessors (Wallace, 1995).

The debate over 'Europe' heated up as a general election approached and the Union imposed a ban on exports of British beef. The beef ban was intended to reassure frightened consumers across Europe after the Major government acknowledged new evidence which suggested that BSE, or 'mad cow disease', could be passed to humans. The cause of the epidemic appeared to be the uniquely British practice of feeding cheap, contaminated offal to cattle in the late 1980s. Previous Conservative governments had played down the problem and demurred from adopting a comprehensive eradication policy. Reported rates of BSE elsewhere in Europe were suspiciously low, but the disease appeared essentially to be a British problem which had been exported to the continent.

Beef markets collapsed across Europe. EU cash for BSE eradication, plus a ban on British exports, similar to those imposed by the US and even Hong Kong, seemed logical policy responses. Yet the Major government astonished its partners by announcing a



*John Peterson*

25

'non-co-operation policy'. The UK vetoed all proposed EU measures which required a unanimous vote, whether related to beef or not, while demanding that a timetable be agreed for lifting the ban. London further infuriated its partners by refusing to accept a large-scale culling of British herds and doing little to justify its policy in other European capitals. By the time of Major's announcement of 'non-co-operation', the Netherlands - which had only a fraction of the BSE cases reported in Britain - had slaughtered more cattle than the UK. Eventually, Britain agreed to a much larger cull than it initially argued was politically feasible.

A vague and non-committal declaration to seek an end to the ban was agreed at the Florence European summit in June 1996. Major thus declared victory and suspended 'non-co-operation'. By this point, the Foreign Office had received urgent expressions of concern from countries such as Mexico and Slovenia whose EU trade or aid agreements had been delayed by British vetoes. Britain had blocked a total of about 100 different measures, including several for which previously it had lobbied heavily on deregulation, police co-operation and fraud prevention.

#### *Thinking Beyond Beef*

From the Major government's point of view, the British non-co-operation policy was an extraordinary strategic blunder. It was adopted as the Union's decision-making rules were being scrutinized in an intergovernmental conference (IGC) with a view to reforming them. British non-co-operation highlighted the ability of one member state to blackmail all others and block decisions taken unanimously. It redoubled the determination of a majority of member states who favoured expanded majority voting. Requiring unanimous agreement on all but constitutional issues seemed impractical in a future, enlarged EU which included some or all of the 10 Eastern and Central European states plus Cyprus which had applied for Union membership by the time of the IGC.

Major (1996) would give no quarter on expanded majority voting. He insisted that the British veto meant 'we cannot be forced where we do not want to go'. Pro-European Conservatives, such as Kenneth Clarke and Michael Heseltine, were in retreat as

the general election campaign began in earnest. Evidence that only one-quarter of all Tory candidates fighting the 1997 election agreed with the government's policy to 'wait and see' before deciding whether the UK would join a single currency suggested that EMU 'posed probably the greatest threat since the split over the corn laws in the 1840s' (*Daily Telegraph*, 16 December 1996).

[to the Conservative party]

Labour Eurosceptics were not as influential as their Tory counterparts, but placed political limits on the Blair government's policy of 'constructive engagement' in the EU. Labour, like the Conservatives, took the politically safe route of trying to avoid the EMU issue by promising a referendum on whether Britain would join a single currency when and if it was created. Even the Blair government was probably going to need cross-party support to secure parliamentary ratification for joining EMU. One of the most important anomalies of British politics was that a large pro-EU majority persisted in the House of Commons.

This cross-party consensus had emerged as the EU had evolved into a far more 'comfortable' international organization for the UK after 1985. With a British Commissioner in the lead (Cockfield, 1994), the EU launched the single market programme. The Common Agricultural Policy (CAP) underwent significant reform during a successful world trade round. Germany, which usually shared British economic interests, became a more significant player. France gradually abandoned its Gaullist ambitions to make the EU into a defence organization. The EU took in Austria, Finland and Sweden in 1995, all of which broadly shared Britain's agenda on budgetary and enlargement questions.

The European Commission and Court of Justice (ECJ) were both active in enforcing EU rules which most member states observed less diligently than Britain. In 1994, the Commission made 89 referrals to the ECJ for violations of internal market rules, with only one case involving the UK. Regardless, Conservative Eurosceptics were outraged when the Court held against Britain in several high-profile cases in 1996, especially one concerning an EU directive which mandated a maximum 48-hour work week.

Under British pressure, the directive had been watered down to the point where it was essentially voluntary and subject to a seven year delay before implementation in the UK. Britain still abstained in a vote on the directive. Then, the Major government

*John Peterson*

27

sought (unsuccessfully) to overturn it in the European Court on the grounds that legislation on working conditions should not be subject to majority voting rules reserved for health and safety matters. Britain gave ammunition to its critics by voting in favour of mandatory rest stops for transported animals but going to great lengths to oppose mandatory rest breaks for workers.

More generally, Britain began to isolate itself in debates about the EU's future. Major's vision of the EU of the future stressed the need for 'flexibility' in a loose partnership of nations. Eventually, the French, Germans and others began to extol the virtues of flexibility, but in the sense of establishing an avant garde of countries which could move ahead faster than others in integrating specific policies, particularly in an enlarged Union. It was hard to think of policy areas (besides agriculture) where the UK stood to benefit from being on the periphery of a Franco-German led 'hard core'. Such thinking inspired Cook's plea, within a week of the 1997 election, for the emergence of 'three main players in Europe, not two' (quoted in *Financial Times*, 8 May 1997).

The 1996 IGC was the Union's third in just over 10 years. Initially, at least, it appeared unlikely to produce any leap forward in European integration. However, after British 'non-co-operation', the Blair government, and its Minister for Europe, Doug Henderson, seemed determined to make a fresh start and to stamp Britain's influence indelibly on the IGC.

#### *How Isolated is Britain?*

It is probably too easy to view Britain as uniquely isolated or opposed to European integration. One poll in late 1994 found more German than British citizens opposing 'closer political links between EU members' (MORI poll in *Financial Times*, 5 December 1994). Several polls in late 1996 suggested that clear majorities of Germans opposed a single currency, while popular support for EMU was falling in France.

Moreover, the 1995 enlargement of the Union clearly made the UK less of an outlier in terms of public opinion. According to the EU's own polls, British citizens remained markedly more 'Euro-sceptic' than, say, Dutch or Italian citizens (see Table 2.1). However, public opinion in both Austria and Sweden had turned sharply against the EU only a short time after they joined the

28

*Britain, Europe and the World*

TABLE 2.1 Support for EU membership in selected member states, 1995 (%)

<i>Member state</i>	<i>Is your country's EU membership a</i>		
	<i>'good thing'</i>	<i>or</i>	<i>'bad thing'</i>
Netherlands	80		5
Italy	69		6
EU 15 average	53		15
United Kingdom	42		24
Sweden	31		40
Austria	29		29

*Source:* European Commission (1996).

Union, even though accession in each country had been ratified by popular referendum.

Even the UK's natural northern allies became progressively less tolerant of the Major government's foot-dragging on the environment, social policy and immigration in 1995-6. On these and other issues, the 'swing vote' often belonged to France. The election of Jacques Chirac as French President in 1995 led to a *frisson* within the British Conservative party about the prospects for an Anglo-French *entente cordiale*. France and Britain, so the logic went, were old nation-states with imperial traditions. Both instinctually guarded their national sovereignty. Both were medium-sized nuclear powers with permanent seats on the UN Security Council (along with the US, Russia and China). Together France and Britain could neutralize German-led, federalist impulses in EU debates. On defence questions, the Clinton administration's support for plans to loan US military assets to exclusively European forces in future coaxed the French closer to NATO. In announcing swingeing cuts in France's defence budget in 1996, Chirac even expressed hope for a volunteer French army that was as good as Britain's.

Concerns in Bonn about the severity of French military cuts was soothed by a stepping up of bilateral Franco-German exchanges on military issues. More generally, the French and Germans continued to see eye-to-eye on far more numerous and fundamental issues, particularly EMU, than did the UK and France. In sharp contrast to Britain, France and Germany continued to

John Peterson

29

look to the state generally, and the EU specifically, to provide public goods ranging from protection for farmers, research subsidies and support for home-grown European films and television programmes. The UK remained a major player in EU politics. It often allied with France, which by itself was Blair government clearly had much to do before the Franco-German alliance was to be supplanted, let alone subsumed, by some new 'triangle'.

*'Europe' as a Domestic Political Issue*

By 1996 it was hard to argue that the domestic debate about Britain's place in Europe had not deteriorated to a level of ill-informed dogma. A virulently anti-European press – much of it under non-British ownership – found EU-bashing to be a comfortable and even popular theme. The rhetoric of Conservatives, such as the party chairman, Brian Mawhinney, was sharp: 'if you want to reduce Britain to the level of a poodle, trotting at the heels of others, letting them set Europe's agenda, then you can vote Labour' (*Financial Times*, 15 May 1996).

The Labour Party approached EU matters with great caution as the general election approached. Blair looked hesitant and uncertain as he refused to condemn the Major government's non-co-operation policy during the beef crisis. Labour seemed firmly united on few EU matters besides the need for the UK to annul its 'opt-out' of the Social Chapter, a framework for agreeing EU social and employment legislation. One of Labour's first announcements in office was that Britain would sign the Social Chapter. On a range of other policies, particularly a single currency, Labour was however deeply split (Baker *et al.*, 1996). Regardless of Blair's landslide and subsequent 'turn towards Europe', the British electorate was uniquely ill-prepared to pass judgement on EMU, which constituted one of the most dramatic and historic political choices facing the UK since the War.

Nonetheless, Labour began to resemble a European Social Democratic party. Under Blair, it tried to attract the political loyalties of younger voters, many of whom appeared to support both a more European-style polity in Britain and European integration in principle, if not always in practice. Despite his moderately Eurosceptic position on EMU, Cook launched a 'Business Agenda for Europe' in the teeth of the beef crisis. It

promised Labour government activism on extending the single market, strengthening EU competition law, and launching new competitiveness and employment measures. Blair himself gave a strongly pro-European speech which extolled the traditional Tory virtues of free trade, deregulation and open markets to a somewhat shocked German employers' federation.

In 1996

Many of Britain's EU partners were so bitterly disappointed with the Major government that they simply stopped negotiating on many vital issues within the IGC until Labour was in power. Major's problem was partly one of expectations raised in 1990-91 when he replaced Thatcher and pledged to put Britain 'at the heart of Europe'. By 1996, European leaders no longer treated Major as someone with whom they could do business. Most viewed his non-co-operation policy as a wheeze to unite the Tories and embarrass Labour. The beef crisis probably opened up as wide a gulf between Britain and the rest of the EU as had ever existed during the Thatcher years. Labour's election was warmly welcomed in national capitals across the EU, but it remained an open question whether Blair and Cook could reverse the domestic tide of Euroscepticism and truly put Britain 'at the heart of Europe'.

#### *Theory and Practice in EU Politics*

A neo-realist perspective gives succour to Tory scepticism about European integration. The EU could be viewed as a Cold War institution which lost much of its relevance after 1989. While the economic effects of Britain's EU membership are difficult to quantify, they probably are not large. On the other hand, considerable evidence can be marshalled to suggest that EMU and continental labour market policies would do considerable damage to the British economy.

In contrast, neo-liberals would point to 'the dramatic reorientation of Britain's trade towards Europe in the postwar period' (Chisholm, 1995, p. 167). From a base of about 10 cent in 1950, about half of British exports went to other EU member states by the mid-1990s. The EU clearly had what economists call 'trade creation effects', thus mutually enriching both Britain and her EU partners. With economics becoming a more important dimension

*John Peterson*

31

of international power, neo-liberals argued that the real litmus test for Britain as a political force in Europe was EMU.

A single European currency by 1999 was far from certain, but no other actual or mooted EU policy in history threatened to sap so much of Britain's capacity to control its economic destiny. The assumption that the UK could survive outside an EMU without any great costs was challenged with considerable force when European banking officials voted in 1996 in favour of discriminating against countries outside a payments system which would facilitate trade in Euros, the foreseen new currency. It was hard to imagine that London's position as a financial capital would not be damaged if the UK opted out.

EMU offered a clear illustration of the paradox which European integration poses for Britain and its EU partners. The EU empowers them by making them part of a rich and influential collective, while also limiting severely their margin for independent action. Global trade negotiations also highlight the paradox. As an EU member state, often in alliance with Germany, the UK can push the world's largest trade bloc to adopt more liberal positions than usually are preferred by southern member states (especially France), even if EU positions are rarely identical to British preferences. Outside the EU, Britain's voice on trade issues would be a weaker and lonely one.

EU membership also raises problems of political legitimacy and transparency. Instead of weakening national executives, the Union often strengthens them by allowing them to 'hide' from domestic interests and adopt policies which would be impossible on a purely national level. The EU is a remote and technocratic political system, as illustrated by the byzantine discussion on British beef. It was conducted mostly within a committee of veterinary experts who also acted as the political agents of their member states.

By the mid-1990s, the EU clearly needed to enlarge, reform and democratize itself. In debates on these issues, officials from other member states often spoke of the need for more British-style common sense and pragmatism in EU negotiations. However, the UK's unique sense of national identity made it harder for her than for other member states to come to terms with questions which EU membership inevitably posed about national independence and political legitimacy. Under the second Major govern-

ment, the British response to these questions was often defensive, muscle-bound arguments about the sanctity and superiority of its domestic institutions.

The problem is by no means a new one. In the view of one long-time British ambassador, the decision of the UK not to join new European institutions in the early postwar period was its biggest strategic mistake of the late twentieth century. The EU thus developed a set of institutions untouched by British influence and dominated by French practice, law and leadership (Renwick, 1996). A former European Commission envoy to Washington concurred that London 'could have had the leadership of Europe for a song' in the 1950s. Instead, according to his view, 'on the world stage, Britain will end the century little more important than Switzerland. It will have been the biggest secular decline in power and influence since seventeenth-century Spain' (Denman, 1996, pp. 1-2).

### **The Special Relationship**

Britain's troubled relations with Europe have always been, in part, a consequence of the assumption that relations between the US and Britain exist on a different, 'higher' plane than relations between any other two industrialized countries. No other allies share so much in terms of history, language and culture. In political, military and intelligence terms, the closeness of the 'special relationship' is sometimes illustrated in dramatic fashion. Henry Kissinger claimed that he often kept London better informed on global developments than the State Department when he served as US National Security Adviser in the 1970s.

The special relationship has helped Britain maintain its position of global influence despite its economic decline. Without American intelligence, for example, the Falklands War could not have been won so quickly and decisively. The personal and ideological affinity between Ronald Reagan and Margaret Thatcher could hardly have been closer. Even after both were out of power, the Bush administration found the UK to be its most reliable ally during the Gulf War. Despite the Major government's overt support for Bush in the 1992 US election, as well as powerful tensions over Bosnia, the Clinton administration showed itself to



*John Peterson*

33

be protective of the so-called 'special relationship'. Clinton often just skirted ruptures with London as he involved himself in the Northern Ireland peace process, particularly when he allowed Sinn Fein's Gerry Adams to visit America. Still, Clinton stated repeatedly that the UK was a valued American ally.

However, the extent to which any ally had 'special' influence in America became subject to new doubts. Crushing domestic problems were reflected in US rates of poverty, homelessness, infant mortality, violent crime and imprisonment, all of which were the highest of any industrialized country in the world. The logical result was a general turn inwards, away from foreign policy and the wider world, particularly after Clinton was elected in 1992. Meanwhile, his administration's focus on the North American Free Trade Area (NAFTA) and the Asia Pacific Economic Cooperation (APEC) forum suggested that it saw America's economic future lying in Asia and the Americas. Europe, including Britain, appeared to offer only stagnant markets and political squabbles over Maastricht and trade with Eastern Europe. Clinton's first Secretary of State, Warren Christopher, declared that 'Western Europe is no longer the dominant area of the world' (Peterson, 1996, p. 137). The stunning seizure of Congress by the US Republicans in the 1994 mid-term election threatened to shift US foreign policy towards 'aggressive unilateralism', particularly on trade and Bosnia.

An earlier series of European initiatives to stop the civil war in ex-Yugoslavia had failed miserably. During its 1992 Presidency of the EU, Britain took the lead in seeking a peace settlement in Bosnia, where the worst inter-ethnic fighting and atrocities took place, but without success. American proposals to 'lift and strike' – lift an arms embargo on Bosnian Muslims and strike Bosnian Serbs with air power – were summarily rejected by European states. The UK and others had large contingents of troops in Bosnia delivering humanitarian aid who were an easy target for Serb reprisals. At this point, the special relationship seemed a joke: Clinton even told an interviewer that Major had rejected 'lift and strike' because his government would have collapsed if its internal divisions about keeping British troops in Bosnia had been exacerbated. More generally, the durability of both NATO and America's strategic commitment to European security became subject to new and serious doubts.

Eventually, a collective western decision was taken to bomb the Bosnian Serbs to the negotiating table in August 1995. NATO was used both to organize the bombing campaign and then to enforce a cease-fire. However, the Dayton Peace Accord was brokered almost exclusively by the Americans, with British and other European diplomats literally locked out of rooms in which the warring Bosnian factions negotiated at a US air force base in Ohio. While a blow to British pride, the Dayton peace deal showed that America clearly remained a European power, at least for the time being, while NATO remained a central pillar of US foreign policy. Both results were viewed as positive reinforcements to British policy and the 'special relationship'. Meanwhile, NATO's success under US leadership in Bosnia inspired continued British scepticism about alternative European security arrangements, including the West European Union (WEU), which obliged its members to accept a robust mutual security guarantee (that is, stronger than NATO's), excluded the Americans and was closely linked to the EU.

Despite intensive transatlantic military co-operation in Bosnia, trade became a serious source of transatlantic tension in 1996. American trade policy became increasingly unilateral and aggressive. In particular, the so-called Helms-Burton Act tried to punish non-American firms for doing business in Cuba. With initial encouragement from London, the European Commission designed countermeasures modelled on existing British legislation. Then, citing concerns about the Commission's legal competence on the matter, the UK threatened to veto the proposals. The Major government was accused by an outraged Commission of bowing to Tory Eurosceptics, who loathed anything which pitted the UK with the rest of Europe against America.

Certainly, European integration posed new challenges to old assumptions about the 'special relationship'. In this context, Major's Foreign Secretary, Malcolm Rifkind, was one of the first of many leaders on both sides of the Atlantic to call for a political relaunch of transatlantic relations after 1994. Rifkind himself had slithered away from his past Euroenthusiasm even before he replaced Douglas Hurd in the Foreign Office. Yet he clearly viewed closer US-EU ties as desirable both in strategic terms and as a political gesture to make Britain's EU membership more palatable to right-wingers in his party.

*John Peterson*

35

Rifkind could rightly claim a measure of credit for the new 'Transatlantic Agenda' and Action Plan agreed between the Clinton administration and EU in late 1995. By this time, total US non-military spending on international affairs was only half its 1984 total. Pooling American resources with those of the EU, particularly on new security issues such as terrorism, environmental protection and development aid, made sense from the point of view of America, which increasingly became a 'super-power on the cheap'.

Despite its frequent and often maddening disunity, the EU became viewed in Washington as a more reliable and resourceful partner than any other on offer. Gradually, if very slowly, American policy became more EU and German-centred and less NATO and Britain-oriented. In this context, one American opinion leader described the UK's non-co-operation policy during the beef crisis as a 'hissing fit' (Hoaglund, 1996). Raymond Seitz, the respected former US ambassador to Britain, warned that British influence in Washington would in future depend as never before on British influence in Europe. He was joined by Sharp (1996, p. 1) in pleading with the British political class to realize that 'the only way Britain is going to influence world events in the future is as a major European power working closely with France and Germany, and dealing with the US as a power committed to Europe'.

Looking ahead, it may prove significant that Clinton and Blair are both relatively young leaders and former Oxford men who share similar ideologies. However, the importance of shared affinities between American and British leaders probably has been exaggerated since the Reagan/Thatcher years. Ultimately, until Britain learns to maximize its influence in the EU, the central problem of the 'special relationship' – the glaring asymmetry in power between the US and UK – will persist.

### **The Legacy of Empire**

Regardless of one's view of the extent of the UK's 'decline', Britain's global role and assets are clearly vestiges of its imperial past more than monuments to its recent economic success. Britain

remains a highly influential member of the United Nations in large part because about one-quarter of all of its members are former British colonies or territories. The importance of the Commonwealth is a subject of debate, with detractors pointing to its inability to cope in the 1980s with apartheid in South Africa. Still, it includes 53 states or territories which account for about one-fifth of the world's population. Britain retains putative leadership of the Commonwealth, even if the reorientation of British trade towards Europe has reflected a rapid decline in the economic importance of its former colonies.

One of the most enduring legacies of the empire has been the 'lost generation' of modernization by British industry in the early postwar period. Imperial and then commonwealth preferences gave British industry privileged access to relatively undynamic and undemanding markets in the 1950s and 60s. After Britain's entry into the Common Market in 1973, many of its industries were overwhelmed by continental competition which had been sharpened by 15 years of tariff-free trade between the Community's original members. In some respects, British industry never recovered, with the costs becoming clearer as the UK began to trade more with other industrialized countries. Ironically, by most measures, Britain now has weaker trade links to the developing world than do most of its EU partners (Clarke, 1992, p. 46).

Other remnants of the empire have helped to balance the ledger. First, English is spoken in at least a basic way by something like 20 per cent of the world's people. Second, the BBC World Service has a global audience of nearly three times the population of the UK itself. Britain's foreign aid budget is not generous, but it is the sixth largest in the world and is more focused than those of other major powers on the very poorest countries.

Yet the UK's claim to be the enlightened voice of the west on North-South issues is considerably undermined by an entrenched 'liberal militarism' in its domestic industrial policy (Reynolds and Coates, 1996). Its effect is to make a large section of British industry dependent on arms sales to the less-developed world. By 1993, the defence sector still accounted for nearly 10 per cent of the total value of British manufacturing and employed about 400 000 people. Britain ranked second only to the US as an arms

*John Peterson*

37

exporter and controlled about one-fifth of the total global market (Lee, 1996, p. 59).

Britain's international reputation was tarnished by the revelation of scandals connected with the arms trade in the mid-1990s. The Scott inquiry into the so-called Matrix Churchill affair saw private businessmen scapegoated for selling arms to Iraq despite the government's blessing of exports. The UK gave soft loans to an unsavoury Malaysian regime so that it could hire a British firm to build the Pergau Dam, with the entire deal underpinned by an agreement to buy British arms.

More generally, Britain's relations with South East Asia, where much of its empire once lay, were complex and often contradictory. The 'return' of Hong Kong to China in 1997 was always going to be fraught with tensions and charges of a British sell-out of the island's citizens. Yet it is difficult to imagine that any other major western state would have handled the negotiations with more skill, at least until Chris Patten, the final British Governor of Hong Kong, sought to renegotiate much that already had been agreed with the Chinese (Cradock, 1994).

The UK remained a magnet for inward investment from Japan and other states in the region, whose economic growth rates far surpassed those of Europe. The National Audit Office calculated that each pound spent on promoting trade with South East Asia generated 80 pounds in British exports. Yet Michael Heseltine's dire warnings in autumn 1995 about the threat to British prosperity posed by the Far Eastern Tiger economies seemed a blatant attempt to unite the Tories against a common enemy.

In short, the UK's imperial history continued to inform policy choices in ways which were usually subtle but sometimes not. The decision in the 1980s to send the British navy halfway around the world to defend a small and geopolitically meaningless group of islands in the South Atlantic clearly could not have been taken without recourse to familiar arguments about the need to defend Britain's foreign assets. The Major government's somewhat desperate defence of the pound against the overwhelming will of currency markets in 1992 recalled Britain's habitual postwar defence of an overvalued currency for the sake of broader foreign policy prerogatives. The successful export of the Westminster model of government to states across the world during the transition from empire to commonwealth will continue to colour

debates about Labour's plans to reform the British state. The legacy of the empire remains palpable, particularly for critics of postwar British foreign policy, who often claim that 'the pursuit of an independent and major world role for the British state proved immensely costly and self-destructive over time: in high defence spending, the maintenance of a strong currency, and the failure to modernize the British state machine' (Reynolds and Coates, 1996, p. 257).

#### **Britain as an International Actor**

By some measures, such as ranking as an exporter, Britain's global position has stabilized. It continues to exercise considerable influence in many of the more than 120 international organizations of which Britain is a member. Its seat on the Security Council gives Britain veto power on virtually all important UN matters. As a financial capital with historical roots to much of the less-developed world, Britain is an influential member of both the World Bank and International Monetary Fund (IMF). The British vice-president of the European Commission, Sir Leon Brittan, was an important architect of the World Trade Organisation (WTO) created after the Uruguay Round of global trade talks. The UK remains a mainstay of NATO, playing a strong understudy to the US and often neutralizing French eccentricities.

The price paid for Britain's international role has been steep. Late entry into the EU, after its expensive (and wasteful) Common Agricultural Policy was in place, meant that the UK would always be a net contributor to the EU's central budget. The Major government volunteered the second largest contingent to allied forces in both the Gulf War and Bosnia. British taxpayers footed an annual £90 million bill for Britain's national subscriptions to international organizations.

Above all, Britain remained a nuclear power despite its limited means. Even before the Cold War ended, the UK faced a difficult choice between buying American nuclear systems or developing them co-operatively with European partners. Both options inevitably made Britain dependent on others for its own security. For

*John Peterson*

39

example, furious diplomacy was unleashed on the Germans when the latter sought to reduce their contribution to the collaborative European Fighter Aircraft, after unification put enormous strains on German public spending. 'Buying American' was sometimes equally problematic. The Thatcher government's decision to buy the Trident submarine system in 1980 at first seemed to highlight the advantages of the special relationship, as the Americans clearly would not have sold the system to anyone else. However, the subsequent US decision to upgrade Trident to suit its own needs had the effect of landing the UK with a more expensive and sophisticated system than it needed.

Nuclear weapons continue to be a source of considerable status and power in international politics. Neo-realists are quick to point out that dismantling Britain's capability would invite questions about why it deserved special status in the UN. They scorn the neo-liberal argument that the UK could rely on the US or an integrated European nuclear capability to defend itself, and insist that permanent alliances do not and could not ever exist in international relations.

Cuts in British defence spending have mirrored those undertaken in most western states since the end of the Cold War. Arguably, however, they have had special implications for Britain. An independent UK military operation on the scale of the Falklands war was already technically impossible by the early 1990s (Clarke, 1992, p. 53). Whether or not neo-realists are right to be cynical about the durability of alliances, neo-liberals are on strong ground in arguing that Britain's formal military sovereignty brings her very little military independence.

Still, there is no question that Britain retains important, if somewhat intangible levers to influence international politics. One is certainly the competent, professional and highly-respected cadre of British officials serving both in the foreign service as well as in myriad international organizations. British civil servants with international responsibilities usually deserve their reputation for tolerance, pragmatism and incorruptibility. However, it is hard not to conclude that they have been undermined repeatedly by their political superiors, as when British officials were forced to 'non-co-operate' during the beef crisis. The mentality reflected in a 1977 Central Policy Review Staff report, which criticized British officials abroad for doing their jobs 'to an unjustifiably high

standard', reflect a general lack of clear purpose which hampers British diplomacy (Clarke, 1992, pp. 70-71).

In this context, no wholesale review of Britain's foreign policy was undertaken in the afterglow of the Cold War. A defence review published in 1990 assessed military needs and priorities narrowly, but took little account of wider questions of economic, political and security strategy (Sanders, 1993, p. 288). Thatcher's foreign policy ethos underwent no systematic revision under the Major governments.

For its part, the Blair government pledged to upgrade Britain's international profile by adopting Clinton-style export promotion, putting more into the Commonwealth, and, above all, ending the UK's isolation in Europe. Labour probably won very few votes on the basis of its new thinking on foreign policy. Its focus during the election was overwhelmingly on domestic policy. But concern for Britain's global role is cross-party, instinctual and a crucial part of its national identity.

### **Conclusions**

Any nation-state's identity and global role are derived in large part from history and geography. It clearly matters that Britain has not been invaded since the eleventh century and is an archipelago of north-western Europe. However, these factors are not determinant. Arguably, Britain's failure to produce a political class able to lead in a way that is appropriate to an increasingly interdependent world explains more about British foreign policy than any other factor.

Any state which aspires to international influence disproportionate to its economic power must be supported by an outward-looking, internationally-minded citizen-public. In 1996, Labour party strategists insisted that the electorate (and newspaper editors) were so ill-educated in the complexities of multilateral diplomacy that Labour had no choice but to support Major's non-co-operation policy. Far more British citizens either wanted to pull out of the EU or renegotiate the UK's membership than supported closer British ties to the Union (NOP poll in *Sunday Times*, 17 March 1996). The *British Social Attitudes Survey* (1996) found that around 60 per cent of Britons favoured limits on



John Peterson

41

imports to protect the British economy. One-third thought foreigners should not be allowed to buy land in the UK.

The popular British press nourished a national identity based on equal parts insecurity and pride. Its proclivity for blaming foreigners (especially 'Europeans') for problems with domestic roots recalled Pat Buchanan's American nativism. Tabloid caricatures of a jackbooted German Chancellor, Helmut Kohl, and openly racist headlines as Britain prepared to meet Germany in the 1996 European football championships led the President of the Confederation of British Industry, Sir Brian Nicholson, to lament 'this pungent atmosphere of romantic nationalism and churlish xenophobia' (*Financial Times*, 25/26 May 1996).

Conservative Eurosceptics claimed that they were 'internationalists' at heart. Yet, the writings of John Redwood, Major's Eurosceptic challenger for the party's leadership in 1995, were perhaps illustrative of his and his followers' attention to the world beyond British shores. Redwood (1994) predicted that North Vietnam would collapse in the 1990s, leading to Vietnamese unification, evidently not realizing that it already had occurred 20 years previous. His insistence that European integration would lead to a 'country called Europe' to which 'we would all have to swear allegiance', while the former British army 'went into battle under the European flag, marching to the European anthem' became almost a mainstream view in the British press (Redwood, 1996).

Ironically, it was difficult to see the logic of fighting an election on a fiercely Eurosceptic platform. The EU was ranked as one of the top five most important issues by very few voters. Polls suggested that voters blamed the Major government, as opposed to the EU, for the beef crisis by a margin of three to one. The effect of the crisis on voting preferences actually appeared negative for the Conservatives (ICM poll in *The Observer*, 26 May 1996). Yet a minority wing of the Conservative Party became almost obsessively anti-European. The Blair government's 'constructive engagement' with the EU was certain to find no shortage of critics among the opposition.

Meanwhile, even when the Major government was insisting that it had reversed Britain's decline, a series of leaked government briefing papers predicted that the UK's status as one of the world's seven biggest economies would be lost within 20 years.

7/10 7/10 twice a

India, Brazil and Indonesia were set to pass Britain, with China emerging as the world's largest single economy. These states were certain to demand greater political representation in major international organizations. Pointedly, as Ireland took over the EU's rotating presidency in 1996, its government made much of evidence which suggested that Ireland's per capita income would overtake that of the UK in less than 15 years.

A neo-realist's assessment of British power would highlight the fact that the UK is the leading trading partner of no European country besides Ireland. British goods account for less than 10 per cent of the imports of the other member states of the Union. As such, the Eurosceptic billionaire James Goldsmith's urgings that the UK should act to 'convert or split Europe' grossly exaggerates British power to determine the EU's future.

From a neo-liberal perspective, Britain's role in the world is a valued asset. It can be preserved if British diplomatic excellence is backed by political leadership which nurtures popular internationalism and alliance building in multilateral diplomacy, particularly within the EU. From this point of view, the debate about whether Britain should remain a member of the Union appears pointless, especially to those outside the British Isles.

The claim that Britain's international decline has continued unchecked is not beyond dispute. The UK's future decline is not inevitable. But in recent times the only clear purpose of British governments in international affairs has seemed to be insisting that Britain matters more than it really does.

U.C. BERKELEY LIBRARIES



C114006716