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 (UK) as the United States' closest and most reliable ally. This perception stems from a combination of factors, including a sense of shared history, values, and culture; extensive and long-established bilateral cooperation on a wide range of foreign policy and security issues; and the UK's strong role in Iraq and Afghanistan. The United States and the UK also cooperate closely on counterterrorism efforts. The two countries share an extensive and mutually beneficial trade and economic relationship, and each is the other's largest foreign investor.

The term "special relationship" is often used to describe the deep level of U.S.-UK cooperation on diplomatic and political issues, as well as on security and defense matters such as intelligence-sharing and nuclear weapons. British officials enjoy a unique level of access to U.S. decisionmakers, and British input is often cited as an element in shaping U.S. foreign policy debates. Few question that the two countries will remain close allies that choose to cooperate on many important global issues such as counterterrorism, the NATO mission in Afghanistan, and efforts to curb Iran's nuclear activities. At the same time, some observers have called for a reassessment of the "special relationship" concept. Some British analysts express concern that the UK tends to be overly deferential to the United States, sometimes at the possible expense of its own national interests. Others assert that British policymakers are in the process of adjusting to new geopolitical realities in which changing U.S. priorities may mean that the UK will not always be viewed as a centrally relevant actor on every issue.

The UK is one of the 27 member countries of the European Union (EU). While the UK's relations with the EU have historically involved a degree of ambivalence and a reluctance to pursue certain elements of integration, British policy and the UK's outlook on many global issues are often shaped in the context of its EU membership. For example, analysts note that some UK policy positions, such as its approach to climate change, are closer to those of its EU partners than to those of the United States.

The Conservative Party won the most seats in the UK election of May 6, 2010, although they fell short of winning an absolute majority. On May 11, 2010, the Conservatives agreed to form a coalition government with the Liberal Democrats, who finished third in the election. Conservative leader David Cameron became the UK's new prime minister, and Liberal Democrat leader Nick Clegg was named deputy prime minister. The Conservative-Liberal Democrat government is the UK's first coalition government since World War II. After losing a considerable number of seats in the election and finishing in second place, the Labour Party moved into opposition. Labour had led the UK government for 13 years, first under Tony Blair (1997-2007) and then under Gordon Brown.

U.S.-UK relations and the implications of the 2010 British election may be of interest in the second session of the 111th Congress. This report provides an overview of the election and discusses some of the key issues facing the new government. The report also examines the UK's relationship with the European Union and assesses some of the main dimensions of the U.S.-UK relationship. For broader analysis of transatlantic relations, see CRS Report RS22163, *The United States and Europe: Current Issues*, by Derek E. Mix.

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Introduction

Many U.S. officials and Members of Congress view the United Kingdom (UK) as the United States' closest and most reliable ally. This perception stems from a combination of factors, including a sense of shared history, values, and culture; extensive and long-established bilateral cooperation on a wide range of foreign policy and security issues; and the UK's strong role in Iraq and Afghanistan. The United States and the UK also cooperate closely on counterterrorism efforts.

The modern U.S.-UK relationship was 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." This term describes the high degree of mutual trust between the two counties in cooperating on diplomatic and political issues. The United States and the UK are two of the five permanent members of the United Nations Security Council, and are both founding members of the North Atlantic Treaty Organization (NATO). U.S. and UK officials, from the Cabinet level to the working level, consult frequently and extensively on many global issues. American and British 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 9/11 attacks on the United States. Some observers assert that a common language and cultural similarities, as well as the habits of cooperation that have developed over the years, contribute to the ease with which U.S. and UK policymakers interact with each other.[1]

The "special relationship" also encompasses unusually close intelligence-sharing arrangements and unique cooperation in nuclear and defense matters. During the cold war, the UK served as a vital base for U.S. forces and continues to host U.S. military personnel and equipment.[2] U.S. defense planners view the UK as one of the most capable European allies—if not the most capable—in terms of combat forces and the ability to deploy them.

The mutually beneficial trade and economic relationship is another important aspect of the U.S.-UK partnership. The UK is the sixth-largest economy in the world and the sixth-largest export destination for U.S. goods. It is also the sixth-largest supplier of U.S. imports. Even more significantly, the UK and the United States are one another's largest foreign investors.

U.S. military and economic preponderance, however, has caused many to characterize the UK as the "junior" partner in the U.S.-UK relationship, and to note that the relationship often appears to be more "special" to the UK than it is to the United States. While few question that the UK's role as a close U.S. ally and partner on a host of important global issues will continue, some observers have asserted a need for the UK to reassess its approach to the "special relationship," and to adjust its mindset in accordance with changing geopolitical realities.

[1] See, for example, C.J. Bartlett, *The Special Relationship: A Political History of Anglo-American Relations since 1945* (New York: Longman, Inc.), 1992.

[2] 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.

The 2010 UK Election

The UK general election of May 6, 2010, resulted in a hung parliament, an outcome in which no single party wins a majority of seats in the House of Commons. The Conservative Party, led by David Cameron, won the most seats but fell 20 short of the 326 needed to form a majority government on its own. The Labour Party suffered substantial losses and finished in second place. Labour had won the three previous elections and led the UK government since 1997, first under Tony Blair (1997-2007) and then under Gordon Brown.

After five days of negotiations, the Conservatives reached an agreement on forming a coalition government with the Liberal Democrats, led by Nick Clegg, who finished third in the voting. With this deal reached, Gordon Brown resigned as prime minister and David Cameron became the new prime minister of the United Kingdom on May 11, 2010. Cameron appointed five Liberal Democrats to serve in his cabinet, including Nick Clegg as deputy prime minister.

Table 1. May 2010 UK General Election Results

Party	# of Seats (649 total declared)	Net # of Seats +/–	% of Vote
Conservatives	306	+97	36.1%
Labour	258	-91	29.0%
Liberal Democrats	57	-5	23.0%
All Others	28	-1	11.9%

Source: "Election 2010," BBC News, http://news.bbc.co.uk/2/shared/election2010/results/.

Given ideological differences between the two parties, some analysts assert that the Conservatives and the Liberal Democrats are an unlikely pairing for the UK's first coalition government since World War II. Adding up the numbers, however, this combination was the only one that could deliver a solid majority, a fact that may have provided a strong argument for ideological compromise. The two parties reached an initial policy agreement with a swiftness and ease that surprised some observers, and both appeared willing to give ground on some issues. Some observers, nevertheless, wonder how well and how long the arrangement will work.

Before the past 13 years of Labour government, the Conservatives had led the UK government for a stretch of 18 years, first under Margaret Thatcher (1979-1990), followed by John Major (1990-1997). The Conservatives, who are often also called the Tories, are generally considered to be a party of the center-right, although some elements of the party also tend to be more right-wing than centrist. While critics charge that the Conservative Party remains dominated by the interests of the country's social and economic elites, David Cameron, who became the party leader in 2005 and now becomes prime minister at the age of 43, has sought to portray the party as more modern and inclusive. For instance, Cameron has spoken forcefully in support of efforts to address climate change.

The Liberal Democrats were formed by the 1988 merger of the Liberal Party and the Social Democratic Party. The Liberal Democrats are considered a center-left party, and members often describe themselves as progressive. Since their formation, the Liberal Democrats have been the UK's "third party," struggling to assert their voice alongside Labour and the Conservatives. Nick Clegg, who became the party leader in 2007 and now becomes deputy prime minister at the age

of 43, campaigned on the themes of fairness and social equality, portraying the Liberal Democrats as the alternative to either of the larger parties.

State of the Economy

The economy is the most pressing issue facing the new government. Between 1993 and 2008, the British economy enjoyed an unprecedented period of sustained growth. The UK, however, was severely impacted by the global financial crisis and entered a deep recession in 2008—the British economy contracted nearly 5% in 2009 and unemployment rose from 5.6% in 2008 to an expected 8.3% in 2010. The recession appears to be ending this year, with growth forecast at 0.9% for 2010 and 1.3% for 2011.[3]

During the years of economic expansion, however, the UK developed a large structural deficit and accumulated considerable public sector debt. The financial crisis and recession greatly exacerbated this situation: the government budget deficit grew from 4.8% of gross domestic product (GDP) in 2008 to 11.2% in 2009 and is forecast to be 10.5% in 2010. Public sector debt is expected to grow from 52% of GDP in 2008 to more than 80% in 2011.[4]

On June 22, Chancellor of the Exchequer George Osborne presented an emergency budget that aims to substantially reduce the UK's deficit over the next five years. Austerity measures include a planned 25% reduction in governmental department expenditures over the next four years (excluding health and foreign aid), a public sector wage freeze, and cuts to welfare benefits such as disability and housing allowances. Although the Conservatives' traditional instinct is that cutting spending while holding down taxes is the best way to stimulate growth and hiring, some tax increases have been deemed unavoidable: the new government is raising value-added tax (VAT) from 17.5% to 20% as of January 2011, increasing the capital gains tax from 18% to 28% for high earners, and introducing a new tax on banks. On the other hand, the budget also plans to lower the corporation tax and raise the tax threshold for low income citizens.

The government's key challenge is now to sell its painful austerity program to the British public. Critics have charged that the measures could hurt the economy's growth prospects, increase unemployment, result in the deterioration of public services, and impact society in ways that are unequal and unfair. Others have praised the new government's belt tightening as necessary in order to put the UK back on the path of financial sustainability. In any case, international financial markets do not, for the time being, appear to regard the UK with the same concern felt about, for example, some of the southern members of the Eurozone.

Political Reform

The result of the 2010 election could usher in landmark changes in the British political system. The coalition partners quickly agreed to terms that offer one another a measure of insurance. The partners installed "fixed term" Parliaments of five years, setting the next election for May 2015. Previously, general elections could not be held more than five years apart, but the prime minister could, by custom, dissolve Parliament and call for a new election at his discretion. The coalition also agreed that the votes of 55% of the members of Parliament would now be required to bring

[3] Economist Intelligence Unit, *Country Report: United Kingdom*, June 2010.

[4] Ibid.

down the government in a vote of no confidence—previously, a no confidence vote could be won by a simple majority.

More broadly, the coalition partners plan to hold a national referendum on introducing an "Alternate Vote System" for future general elections.[5] The vagaries of the UK's "first-past-the-post" electoral system (i.e., winner take all within each electoral district) operate to the great benefit of the two largest parties—and to the detriment of the Liberal Democrats—in terms of transferring the popular vote into parliamentary seats (see **Table 1**). The Liberal Democrats have long advocated the introduction of some type of proportional representation electoral system, such as those used in many countries in continental Europe (the Alternate Vote System is regarded as one of the least proportional models of proportional representation voting systems). Although agreeing to the referendum, the Conservatives oppose such reform and are expected to campaign against it. The introduction of proportional representation voting, even if in its "lightest" form, could potentially make it much more difficult in the future for one party to achieve a majority, possibly making coalition politics a more permanent fixture in the UK.

Implications for the United States

The main dimensions of transatlantic cooperation and partnership are unlikely to be altered under the Conservative-Liberal Democrat coalition. Media coverage of the election has made much of assertions that the United States and the UK are drifting apart, that the special relationship is over, and that the UK will seek a more independent course in foreign policy. Officials and analysts are reassessing the nature of the U.S.-UK relationship (see "Political Relations"), but most agree that suggestions of a dramatic break or shift in the relationship are exaggerated. David Cameron and his new ministers are expected to seek a close relationship with President Obama, the U.S. Administration, and the U.S. Congress. No sudden moves are expected in British policy on key issues such as counterterrorism, the NATO mission in Afghanistan, and Iran's nuclear program (see "Selected Issues in U.S.-UK Relations"), as well as the Israeli-Palestinian conflict, relations with Russia, the future of NATO, and international trade and economic policy.

The UK and the European Union

The relationship between the UK and the EU has long been marked by a certain degree of ambivalence. The UK stood aside in the 1950s when the six founding countries (Belgium, France, Italy, Luxembourg, Netherlands, and West Germany) launched the first steps of European integration, fearing a loss of national sovereignty and influence. The UK finally joined the precursor of the modern-day EU in 1973, largely in order to derive the economic benefits of membership but also to have a political voice on the inside as integration took shape. Nevertheless, historically many British leaders and citizens have remained skeptical of the EU and ambivalent in their support for further European integration (including, notably, former Prime Minister Margaret Thatcher).

[5] According to the BBC's Election 2010 *Q&A on Electoral Reform and proportional representation*, in an Alternate Vote System, "Voters rank the candidates. If no candidate has 50% of first preferences then second preferences are counted and so on until someone has a majority." http://news.bbc.co.uk/2/hi/uk_news/politics/election_2010/8644480.stm

The UK has zealously guarded elements of its national sovereignty to a greater degree than most EU countries. On the whole, the UK's "Anglo-Saxon" economic philosophy and approach to social issues differs from those of its continental partners, and the UK has been especially adamant about shielding its national prerogatives in these areas. Most famously, the UK retains the pound sterling as its national currency and appears unlikely to adopt the euro anytime soon. The UK does not participate in the Schengen Agreement that creates a virtually borderless visa- and passport-free zone among most EU countries. The UK secured an exemption from the Charter of Fundamental Rights that was attached to the Lisbon Treaty and details a sweeping range of social protections, and negotiated the right, in effect, to choose which policies in "Justice and Home Affairs" areas (such as police and judicial cooperation) it wishes to take part in under the new treaty. Many British officials and observers have long opposed the "Federalist" vision of EU integration, preferring instead an "intergovernmental" arrangement between sovereign states. British leaders have also tended to express impatience with what they view as the EU's tendency to look inward and focus on process and institutional arrangements, arguing instead for an outward-looking and results-oriented EU focused on action.

On the other hand, there is no question that the EU and the 26 other member countries of the EU are, alongside the United States and select others, among the UK's main allies and partners in the world. Although "euro-skepticism" is considerable among the British public, it is far from universal. Geographically, the UK is much closer to continental Europe than to North America, and over half of British trade is conducted with fellow EU members. Moreover, some observers assert that many of the UK's diplomatic and foreign policy impulses, in areas such as climate change policy, for example, are closer to those of its EU partners than to those of the United States. During the Blair years, the UK was a driving force behind EU efforts to strengthen its foreign policy and defense cooperation. For many European policymakers, including in the UK, the need for the EU to speak with "one voice" in a more cohesive EU Common Foreign and Security Policy (CFSP) was one of the great lessons of the Iraq War. In 1998, Blair reversed the UK's long-standing opposition to the development of an EU defense arm, and British involvement is viewed by many as an essential ingredient for the viability of the EU Common Security and Defense Policy (CSDP).

A Coalition Compromise on Europe

Many members of the Conservative Party are critical of the European Union and opposed to the current level of European integration, in which they believe the UK has surrendered too much national sovereignty. The prevalence of such "euro-skeptics" among the Conservative ranks has had many in Brussels wondering about how a Conservative-led government might manage the UK's relations with the EU. In summer 2009, David Cameron pulled the British Conservative Members of the European Parliament (MEPs) out of the main center-right political group that includes the parties of German Chancellor Angela Merkel and French President Nicolas Sarkozy to caucus with much smaller "euro-skeptic" parties. The Conservatives opposed ratification of the Lisbon Treaty, the EU reform treaty that came into effect in December 2009, and Cameron had long suggested that the UK should hold a national referendum on the treaty rather than approving it by parliamentary vote. There remains some sentiment among Conservatives that the UK should try to reclaim aspects of national sovereignty that have been pooled into the EU.

The Liberal Democrats, on the other hand, are the most pro-EU of the UK's three major parties, as demonstrated by their calls for the UK to adopt the euro as its national currency. The initial policy agreement announced by the Conservative-Liberal Democrat coalition indicated that the

two parties had agreed to a "truce" on Europe under which the UK would be a "positive participant" in the EU. The coalition has ruled out any moves toward joining the euro during the lifetime of the current Parliament, and has pledged to hold a referendum on any future EU proposals that would transfer additional power or sovereignty to Brussels. In addition, the Conservatives have agreed not to seek opt-outs from EU social legislation, although they will try to limit the application of an EU law that caps the number of hours an employee can work in a given week. While the coalition compromise indicates a constructive British approach to the EU under Prime Minister Cameron, the potential for friction still remains.

The UK Between the United States and the EU

Some analysts have long described the UK as caught in a balancing act between the United States and the European Union. The UK has, at times, sought to play the role of a "transatlantic bridge" between Washington, DC, and the EU. Prime Minister Blair sought to perform such a role after taking office in 1997, believing that strong U.S.-UK and UK-EU relations would be mutually reinforcing. Blair is often credited, for example, with having a key role in gaining U.S. acquiescence to the December 2003 NATO-EU deal to enhance EU defense planning capabilities. Ultimately, however, domestic political struggles and the bitter intra-European divisions stemming from the 2003 Iraq War limited some of the possibilities for UK-EU relations under Blair. Nonetheless, the UK remained a highly influential voice through its EU presidency during the second half of 2005 and Blair's last EU Summit, in June 2007, which launched the Lisbon Treaty.

Other analysts assert that the dimensions of British foreign policy have never been as simplistic as a black-and-white choice between the United States and Europe. According to many, depictions of a zero-sum choice between one or the other are false and artificial—the United States and the EU generally have similar interests and compatible outlooks, work together in an expanding range of issues, and are far more often partners than adversaries. In addition, there is a significant NATO dimension to the discussion: 21 members of the EU, including the UK, are also members of NATO. In the end, UK officials and analysts assert what might appear obvious to some: UK foreign policy decisions have always been and will continue to be determined primarily by British national interests, and preserving the UK's position as a strong U.S. ally and leading EU partner provides the UK with the greatest ability to promote its diverse interests in Europe and beyond.

U.S.-UK Relations

Strong relations with the United States have been a cornerstone of UK foreign policy, to varying degrees and with some ups and downs, since the 1940s. Observers assert that the UK's status as a close and loyal ally of the United States has often served to enhance its global influence. The UK is often perceived to be the leading allied voice in shaping U.S. foreign policy debates: 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," a statement that well describes the mindset of many British diplomats over the ensuing decades.[6] Beyond the bonds of similar interests and values, some experts suggest that the United States has been more inclined to listen to the UK than to

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

other European allies because of the UK's more significant military capabilities and willingness to use them against common threats. On the other side, British support has often helped add international credibility and weight to U.S. policies and initiatives, and the close U.S.-UK partnership has benefitted the pursuit of common interests in bodies such as the U.N., NATO, and other multilateral institutions.

Political Relations

The U.S.-UK political relationship encompasses a deep and extensive network of individuals from across the public and private sectors. Relationships between the individual national leaders, however, are often analyzed by some observers as emblematic of countries' broader political relations. Former Prime Minister Tony Blair established a close personal relationship with both President Bill Clinton and President George W. Bush. Following the terrorist attacks of September 11, 2001, Blair established himself as a key Bush Administration ally in the U.S. "War on Terrorism." He also famously backed the Bush Administration with regard to the Iraq War, and was an important advocate in support of the case for invasion. In a March 2002 Cabinet meeting, Blair reportedly stated that the UK's national interest lay 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, the UK stood a better chance of preventing the United States from overreacting, could encourage the U.S. Administration to pursue its objectives in Iraq in a multilateral way, and could try to broaden the U.S. agenda to include what the UK and other EU partners viewed as the root causes of Islamist terrorism, such as the Israeli-Palestinian conflict.

The degree to which the UK influenced U.S. policy choices in the war on terrorism, Iraq, and other issues has been a topic of much debate on both sides of the Atlantic. Some observers contend that Blair played a crucial role in convincing the Bush Administration to initially work through the United Nations with regard to Iraq. They argue that the priority Blair placed on resolving the Israeli-Palestinian conflict helped keep that issue on the Bush Administration's radar screen, and that the UK was instrumental in pressing for a meaningful international peacekeeping presence in Afghanistan, which resulted in the creation of the NATO-led International Security Assistance Force (ISAF).

Critics, however, charge that Blair and the UK got little in return for their unwavering support of controversial U.S. policies. Opponents point out Blair was unable to prevent the United States from abandoning efforts to reach a comprehensive international consensus regarding Iraq, that little progress has been made in recent years on the Israeli-Palestinian conflict, and that tepid U.S. responses to Blair's initiatives on African development and climate change further demonstrate that Blair's close relationship with Bush yielded few benefits for the UK. Some commentators came to describe Blair as the American president's "poodle," and Blair paid a high political price with the British public and within his own Labour Party for his close alliance with President Bush. The question of how the UK benefitted from its support of the United States during the Blair-Bush years raised some debate in the UK about the nexus between transatlantic solidarity and British national interests, and whether future British prime ministers may think twice about boldly supporting controversial U.S. policies or make more explicit demands of the United States as the price for support. Some British observers are anxious to assert that British national interests come first and foremost in deciding British policy, arguing that these interests are not always identical to U.S. national interests, and that the UK should not be overly deferential to the United States in foreign policy issues.

Upon taking over as prime minister in 2007, Gordon Brown sought to distance himself from some of the domestically unpopular foreign policy choices of his predecessor. Given the British public's unease with the close Blair-Bush alliance, Brown appeared disinterested in developing a close personal relationship with the U.S. President, demonstrating instead a business-like approach that kept his counterpart at arm's length. Some observers pointed out that because of the political timetable, Brown had little incentive to develop a close relationship with Bush, and that he was to a large extent awaiting the arrival of a new U.S. President in January 2009. Nevertheless, far from reorienting UK foreign policy in a new direction, Brown also attempted to maintain the portrayal of the "special relationship" and made no major substantive changes in relations with the United States: he maintained the UK's commitment to a strong counterterrorism policy and to the mission in Afghanistan, even if proceeding with the planned withdrawal of British forces in Iraq, which raised some questions and concerns among U.S. policymakers.

Prime Minister Brown pursued closer relations with President Obama. Brown visited Washington, DC, in March 2009 to meet with Obama ahead of the G-20 and NATO Summits that were held in Europe in early April. He also addressed a joint session of Congress. In being the first European leader to visit the Obama White House, some observers pointed to an intention to symbolically reaffirm the vitality of the "special relationship." Critics, however, sensed that some aspects of Brown's reception seemed lukewarm, raising speculation as to whether Obama shares quite the same level of enthusiasm about the bilateral relationship.

Some observers assert that Obama is the first post-war U.S. President with no sentimental attachments to Europe, and many argue that with U.S. foreign policy priorities increasingly focused on the Middle East and Asia, Europe, including the UK, faces a growing struggle to remain relevant in U.S. eyes. Media reports in September 2009 indicating that Brown had been "rebuffed" over the course of the year in numerous attempts to secure another personal meeting with Obama created a degree of heightened anxiety in the UK about the future of the "special relationship" and how it is viewed by the Obama Administration. Some observers, however, assert that certain sources—in particular the British media—tend to read too much into the appearance of personal relations between the individual leaders, noting that the functional aspects of the U.S.-UK relationship run much broader and deeper.

Nevertheless, many analysts agree that a reassessment of the "special relationship" concept is in order. As part of an on-going debate about emergent geopolitical trends and the UK's changing global role, British officials and analysts may seek to adjust outlooks and expectations to better match perceptions of national interests and capabilities. Most agree that the U.S.-UK political relationship is likely to remain intimate, and that the "special relationship" in areas such as defense and intelligence cooperation will almost certainly remain strong. On vital issues such as Afghanistan and Pakistan, for example, most observers agree that the UK is a crucial U.S. ally. In an increasingly "G-20 world," however, the UK may not be centrally relevant to the United States in all of the issues and relations considered a priority on the U.S. agenda.[7]

The oil spill in the Gulf of Mexico poses an early test for the Cameron-Obama relationship. BP is an important stock in the portfolios of most British pension funds, and the company's declining value has been viewed with alarm by many in the UK. Some in the British media have complained about what they perceive as an overly harsh backlash against BP by President

[7] See, for example, the November 11, 2009, testimony of Dr. Robin Niblett in House of Commons Foreign Affairs Committee, *Global Security: UK-US Relations*, March 18, 2010, p. Ev 3.

Obama, the Administration, and the Congress, asserting that BP is being excessively pilloried because of its foreign ownership. Some observers have urged Prime Minister Cameron to intervene and tell U.S. critics to back off. These tensions, as well as economic issues and the situation in Afghanistan, were reportedly the central topics of discussion in the first face-to-face meeting between President Obama and Prime Minister Cameron, which took place on the sidelines of the G8 and G20 Summits in Ontario, Canada in late June 2010.

Defense Relations

U.S.-UK defense cooperation became especially close and well established during the cold war, as both countries worked together bilaterally and within the context of NATO to counter the threat of the Soviet Union. In the early 1990s, the UK was an important U.S. ally in the first Gulf War, and the two countries later worked together in stabilization and peacekeeping operations in the Balkans. The UK was the leading U.S. ally in the 2003 invasion of Iraq and subsequent stabilization operations, and is the largest non-U.S. contributor to the International Security Assistance Force (ISAF) mission in Afghanistan. Many observers consider the UK the most valuable and effective U.S. ally in such military operations, noting that the United States and the UK tend to have similar outlooks on issues such as the use of force, the development of military capabilities, and the role and shape of NATO.

The UK has long hosted important U.S. forces at airbases on British soil, and also hosts vital U.S. radar and intelligence-gathering installations. U.S. and British forces have established extensive liaison and exchange arrangements with one another, with British officers routinely seconded to, for example, the Pentagon, U.S. Central Command Headquarters in Tampa, FL, and U.S. Naval Headquarters in Norfolk, VA. British sources reportedly often have access and input into U.S. defense planning and efforts such as Quadrennial Defense Reviews and the 2009 U.S. Strategic Review on Afghanistan and Pakistan.[8]

The 1958 U.S.-UK Mutual Defense Agreement established unique cooperation with regard to nuclear weapons, allowing for the exchange of scientific information and nuclear material.[9] The United States has supplied Britain with the missile delivery systems for its nuclear warheads since 1963. The UK's nuclear deterrent currently consists of several Vanguard class submarines, each armed with up to 16 Trident missiles (totaling as many as 48 nuclear warheads). In 2007, former Prime Minister Blair announced plans to renew the UK's current nuclear weapons system by joining a U.S. program to extend the life of the Trident missiles into the 2040s and by building a new generation of submarines in the UK. Although the Liberal Democrats campaigned for phasing out the UK's nuclear role, the Conservatives support maintaining Trident, and the coalition plans to continue with the maintenance and updating of the UK's weapons.

Given the difficulties with the UK's public finances, concerns are growing about the UK's ability to maintain its core defense budget to meet the equipment needs of the military. The new government is launching a defense spending review, and while the defense budget may not be affected immediately, projected spending cuts in the years ahead are likely and will probably include equipment procurement programs.[10] This reality is likely to force the UK to make tough

[8] See House of Commons Foreign Affairs Committee, op. cit., pp. 23-24.

[9] The document can be found on the website of the British American Security Information Council, at http://www.basicint.org/nuclear/MDA.htm.

[10] The direct cost of military operations such as Iraq and Afghanistan is covered by a Treasury reserve fund that is (continued...)

decisions about its future force structure. On the one hand, the UK could attempt to maintain a military with "full spectrum" capabilities mirroring those of the United States, allowing the British military to fight alongside U.S. forces as well as undertake a broad range of independent missions and operations. On the other hand, some suggest that the UK could decide to cut back, focusing on centrally important capabilities and abandoning others, and increasingly seeking to leverage joint capability planning and development efforts offered by European defense integration initiatives.

The United Kingdom and the United States are also key partners in terms of defense industry cooperation and defense sales. The two countries are engaged in more than 20 joint equipment programs, including the Joint Strike Fighter (JSF).[11] In FY2008, U.S. foreign military sales (government-to-government) to the UK reportedly topped an estimated $1.1 billion and shipment of U.S. direct commercial sales (contractor-to-government) to the UK reportedly exceeded an estimated $3.1 billion.[12] The United States is the largest overseas supplier of the UK Ministry of Defense. The UK, in turn, is the largest overseas supplier to the U.S. Department of Defense, and the United States is the UK's second-largest defense market overall (behind Saudi Arabia). The United States, however, acquires a relatively small proportion of its defense equipment from overseas: the balance of U.S.-UK defense exports is about 2 to 1 in favor of the United States. Most major U.S. defense companies have a UK presence and, led by BAE Systems, numerous British companies operate in the United States. British defense companies' U.S. operations tend to be part of a larger supply chain, with sales consisting mostly of components and niche equipment, rather than entire platforms.[13]

U.S. regulations related to technology transfer and the export of defense articles have long been a source of frustration for British officials. For years, the UK sought a waiver to the U.S. International Traffic in Arms Regulations (ITAR) that would eliminate the requirement for individual export licensing of each article. British officials have argued that ITAR and the related licensing process unduly hinder defense trade and cooperation and prevent greater military interoperability, citing the UK's status as a valuable and trustworthy ally as grounds for waving the regulation. British arguments, however, have come up against strong congressional opposition due to U.S. concerns that technology could be re-exported to third countries. Congress nevertheless granted the UK "preferred" ITAR status in October 2004—intended to expedite the export licensing process for British defense firms—but many in the UK still maintained that the process remained too burdensome. In the context of the Joint Strike Fighter program, the British became concerned they would not have sovereign access to key technologies involved in the aircraft. In December 2006, the United States and the UK signed a memorandum of

(...continued)

separate from the core defense budget. In the 2008/09 fiscal year, operations in Afghanistan cost the Treasury reserve over £2.6 billion, and over £14 billion total has been spent on operations (mostly Iraq and Afghanistan) since 2001. See NATO Parliamentary Assembly, information document from the 2009 Annual Session, *The Global Financial Crisis and its Impact on Defense Budgets*, http://www.nato-pa.int/Default.asp?SHORTCUT=1928.

[11] The Joint Strike Fighter program is a multinational procurement effort—involving the United States, the UK, six other NATO allies, and Australia—to develop and produce the next generation fighter/strike aircraft, the F-35. For more information, see CRS Report RL30563, *F-35 Joint Strike Fighter (JSF) Program: Background and Issues for Congress*, by Jeremiah Gertler.

[12] U.S. Department of State, *FY2010 Congressional Budget Justification*, Foreign Assistance, Title IV Supporting Information, pp. 4, 270-276, http://www.state.gov/documents/organization/124296.pdf.

[13] See House of Commons Foreign Affairs Committee, op. cit., pp. 25, Ev111-Ev112.

understanding effectively guaranteeing that the UK would receive the sensitive JSF technology it demanded.

In June 2007, in an effort to address long-standing British concerns about U.S. technology-sharing restrictions and export controls, the countries signed a Defense Trade and Cooperation Treaty that would eliminate individual licensing requirements for certain ITAR-controlled defense articles and services. The treaty is reciprocal and is intended to cover defense equipment for which the U.S. and UK governments are the end-users. The treaty also calls for the creation of "approved communities" of companies and individuals in each country with security clearances to deal with technological transfers.[14] The UK has ratified the treaty, and it is currently pending before the U.S. Senate Foreign Relations Committee. U.S. concerns persist over whether UK safeguards and enforcement mechanisms will be sufficient to protect transferred material. If ratified, the U.S. Department of State would amend ITAR to account for the treaty provisions.

Economic Relations

The U.S.-UK bilateral investment relationship is the largest in the world. In 2008, UK investment in the United States totaled $454 billion, supporting over 1 million American jobs. U.S. investment in the UK totaled $421 billion. Between 2000 and 2009, the UK was the second-largest overseas market for U.S. foreign direct investment (FDI), behind the Netherlands, and received nearly 20% of U.S. FDI flows to Europe.[15] Tourism and trade are also important pillars of the economic relationship. In 2008, nearly 3 million Americans visited the UK and 4 million British residents visited the United States. Also in 2008, the United States ran a trade surplus with the UK, with exports of goods and services worth $116 billion and imports worth $104 billion.[16]

The global financial crisis and recession has had a significantly negative impact on world trade and investment flows. Both the United States and the UK are home to major world financial centers, and the U.S.-UK economic relationship has been affected. British banks have suffered massive losses from their exposure to asset-based securities linked to the U.S. sub-prime mortgage market. Over the first three quarters of 2009, U.S. FDI flows to the UK fell 65% compared to the first three quarters of 2008.[17] Prime Minister Brown led efforts to forge an international response to the crisis through the G-20. As the EU and the United States seek to formulate and implement new rules for financial sector regulations, analysts believe that thinking in the UK on such issues tends to be more aligned to that of the United States than countries such as France and Germany.

The European Commission negotiates a common EU trade policy on behalf of its member states, and therefore UK trade policy is formulated within an EU context. Although most of the U.S.-EU economic relationship is harmonious and mutually beneficial, some tensions persist. Current U.S.-EU trade disputes focus on poultry, aircraft subsidies, hormone-treated beef, and genetically

[14] See Claire Taylor, *UK-US Defence Trade Co-operation Treaty*, House of Commons Library, International Affairs and Defence Section, February 17, 2009, http://www.parliament.uk/commons/lib/research/briefings/snia-04381.pdf. The full text of the treaty can be accessed at http://www.state.gov/t/pm/rls/othr/misc/92770.htm.

[15] Center for Transatlantic Relations, Johns Hopkins University Paul H. Nitze School of Advanced International Studies, *The Transatlantic Economy 2010*, pp. 99-100.

[16] U.S. Department of State, *Background Note: United Kingdom*, October 2009, http://www.state.gov/r/pa/ei/bgn/3846.htm.

[17] Center for Transatlantic Relations, op. cit., p. 97.

modified (GM) food products. The UK has been a consistent supporter of U.S.-EU efforts to lower transatlantic and global trade barriers, and to reach an agreement in the Doha Round of multilateral trade negotiations.[18]

Selected Issues in U.S.-UK Relations

The United States and the UK share a long list of similar global interests, and act in close concert on a wide range of international issues. While a full list would include such topics as the Israeli-Palestinian conflict, non-proliferation of weapons of mass destruction, relations with Russia, and many more, this section highlights three issues to illustrate the nature of U.S.-UK cooperation.

Counterterrorism

Most analysts and officials agree that U.S.-UK counterterrorism cooperation is close, well-established, and mutually beneficial.[19] The UK's Security Service (MI5) and Secret Intelligence Service (MI6) routinely cooperate closely with their U.S. counterparts in the sharing of information, and U.S. and British law enforcement and intelligence agencies regularly serve as investigative partners. Counterterrorism cooperation with the UK also takes place in the context of the many U.S.-EU agreements that have been put in place in recent years. According to the UK Foreign and Commonwealth Office, however, the U.S.-UK intelligence and law enforcement relationship "far outstrips the level of interaction and co-operation with other nations."[20] In addition to efforts seeking to disrupt terrorist attacks against U.S. and European targets, U.S. and UK officials cooperate closely with regard to developments in countries such as Afghanistan, Pakistan, Somalia, and Yemen.

The UK has extensive experience in dealing with issues of terrorism and homeland security, having long faced terrorist attacks from groups such as the Irish Republican Army (IRA). More recently, as highlighted by the deadly July 2005 attacks on the London transportation system and the failed car bomb attempts in London and Glasgow in the summer of 2007, radical Islamist terrorism has developed into a primary domestic threat. Many were alarmed that the majority of the perpetrators in these attacks were "homegrown" British Muslims. The British government launched its long-term Strategy for Countering International Terrorism (CONTEST) in 2003. The CONTEST strategy consists of four strands: (1) disrupting terrorist attacks through prosecution and other measures at home, combined with military and intelligence operations abroad; (2) working with vulnerable communities to prevent radicalization and extremism; (3) reducing the vulnerability of national infrastructure, crowded places, transportation systems, and borders; and (4) mitigating the impact of terrorist attacks through well-trained and equipped regional and local resilience networks and crisis management structures. As of 2008, the UK's annual spending on

[18] For more information, see CRS Report RL34381, *European Union-U.S. Trade and Investment Relations: Key Issues*, coordinated by Raymond J. Ahearn; and CRS Report RS22645, *U.S.-European Union Relations and the 2007 Summit*, by Raymond J. Ahearn, Kristin Archick, and Paul Belkin.

[19] See, for example, House of Commons Foreign Affairs Committee, *Global Security: UK-US Relations*, March 18, 2010, pp. 39-42.

[20] House of Commons Foreign Affairs Committee, op. cit., p. Ev 61.

counterterrorism, resilience, and intelligence activities had doubled since 9/11, to some £2 billion (about $3 billion).[21]

In recent years, the UK has strengthened its anti-terrorism laws and expanded the powers of its intelligence and law enforcement agencies.[22] The Terrorism Act 2006 created a series of new terrorism-related criminal offenses, including the encouragement of terrorism and the dissemination of terrorist propaganda, including via the Internet. It also gave the government the right to ban groups that glorify terrorism, and extends the allowable period of detention without charge from 14 to 28 days. The Counterterrorism Act 2008 further increased the powers of law enforcement authorities in terrorism-related cases, changing rules related to searches, interrogations, asset seizures, and the collection and use of evidence. The act also increased sentences for some terrorism-related offenses. Civil liberties advocates have sharply criticized these pieces of legislation. Sharing some such concerns, Parliament rejected a proposal in the Counterterrorism Act 2008 to increase the legal period of detention without charge to 42 days.

Although the overall U.S.-UK intelligence and counterterrorism relationship is overwhelmingly positive, some tensions exist. The relationship was damaged by public accusations of British complicity in U.S.-led renditions and the alleged torture of terrorist suspects between 2002 and 2008. Related court cases sought the release of intelligence documents and raised concerns in the intelligence community about the risk of confidential information coming into the public domain through the British legal system. In the past, some British officials have objected to the U.S. detention facility at Guantanamo Bay and complained that the United States concealed practices such as waterboarding. Some British officials also complain that the updated bilateral extradition treaty that was signed in March 2003 favors the United States.[23]

Some U.S. critics have also charged that UK measures to clamp down on Islamist extremists are long overdue. They argue that until recently, traditionally liberal asylum and immigration laws in the UK, as well as the country's strong free speech and privacy protections, attracted numerous radical Muslim clerics claiming persecution at home. As a result, some say the UK became a breeding ground for Islamist terrorists—some observers have sarcastically described an open culture of radical Islamism in London as "Londonistan." In recent years, the UK has expelled some foreign imams and others who espouse extremism and terrorist violence, and denied entry to others. Concerns about radicalization in the UK resurfaced in December 2009 when a Nigerian who had lived and studied in London attempted to blow up an airliner en route from Amsterdam to Detroit.

Afghanistan

The UK is the second-largest troop contributor to the NATO-led International Security Assistance Force (ISAF) mission in Afghanistan.[24] The UK contributes 9,500 soldiers to ISAF. Counting an

[21] See the March 2009 update of the CONTEST strategy, http://security.homeoffice.gov.uk/news-publications/publication-search/contest/contest-strategy/contest-strategy-20092835.pdf?view=Binary.

[22] UK counterterrorism legislation includes the Public Order Act 1986; the Terrorism Act 2000; the Anti-Terrorism, Crime and Security Act 2001; the Prevention of Terrorism Act 2005; the Terrorism Act 2006; and the Counterterrorism Act 2008.

[23] The U.S.-UK extradition treaty is treaty number 108-23.

[24] For more information on international efforts in Afghanistan, see CRS Report RL30588, *Afghanistan: Post-Taliban Governance, Security, and U.S. Policy*, by Kenneth Katzman.

additional 500 special forces operating in the country, there is a total of approximately 10,000 British soldiers in Afghanistan. The UK is also the largest European donor of bilateral aid to Afghanistan, contributing some £740 million (about $1.15 billion) since 2001 for development and security assistance, and pledging a further £510 million (about $790 million) for the next four years.[25]

Most British forces are based in the volatile southern province of Helmand, where they have engaged in frequent combat with Taliban insurgents. The UK has suffered approximately 310 military fatalities in Afghanistan since operations began in 2001, which is more than the number of casualties the UK had in Iraq. British casualties in Afghanistan spiked in July 2009 during a pre-election offensive against the Taliban, and over 100 British soldiers were killed in 2009 alone. While stating that he prefers not to base planning on "strict timetables," Prime Minister Cameron recently stated that he would like all British troops out of Afghanistan by 2015.[26]

Like their U.S. and NATO counterparts, British officials have repeatedly called for greater troop and equipment contributions from some of the European allies. "National caveats"—restrictions that some governments place on their troops to prevent them from engaging in combat operations—have been a sore spot within the Alliance. The UK also has contentious relations with Afghan President Hamid Karzai. Tensions grew when Karzai criticized the 2006 British compromise with insurgents in the Musa Qala district of Helmand. The UK negotiated a deal under which both the British military and the Taliban would withdraw from the area and leave it under the control of tribal leaders. The Taliban subsequently returned and overran the district in early 2007. In addition to frustrations with the pace of efforts to build Afghan security self-sufficiency, the UK has been highly critical of alleged corruption in Karzai's government.

By and large, the UK has concurred with the Obama Administration's Afghanistan strategy, and British sources have reportedly had significant input into elements of U.S. strategic review. Points of agreement include focusing on Afghan army and police training and civilian efforts regarding governance, rule of law, and economic development. Some British officials and observers have long asserted that the key to defeating the insurgency lies in political solutions and incentives aimed at militants who may not be motivated by radial Islamic ideology, and some have long advocated negotiations with the more moderate elements of the Taliban. In August 2009, the House of Commons Foreign Affairs Committee published a report asserting that the direction and tendencies of U.S. policy under the Bush Administration—including an excessive focus on military goals—bear substantial responsibility for many of the problems facing international efforts in Afghanistan today.

The UK strongly supports a regional approach to Afghanistan that includes Pakistan. Prime Minister Brown stated that three-quarters of the terrorist plots uncovered in the UK have their roots in the Afghanistan-Pakistan border region. The UK is helping train and equip Pakistani forces for counter-insurgency operations along the Afghan border and plans to provide £665 million (approximately $1 billion) in aid to Pakistan over the period 2009-2013.[27]

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[25] UK Foreign and Commonwealth Office, *The UK Effort in Afghanistan*, http://www.fco.gov.uk/en/global-issues/conflict-prevention/uk-effort-in-afghanistan/ and UK Department for International Development (DFID), http://www.dfid.gov.uk/Where-we-work/Asia-South/Afghanistan/.

[26] "Cameron wants troops home from Afghanistan by 2015," *BBC News*, June 25, 2010, http://news.bbc.co.uk/2/hi/politics/10420911.stm.

[27] UK Department for International Development (DFID), *Afghanistan Country Plan: 2009-13*, (continued...)

Iran

The United States and the UK share the same goals with respect to Iran, starting with curbing its nuclear program and ending its sponsorship of groups such as Hezbollah and Hamas. Officials in London have long advocated conditional engagement with Iran over isolation, and as one of the "EU-3" (with France and Germany) the UK has played a leading role in diplomatic efforts to curtail Iran's uranium enrichment activities. British leaders are committed to a diplomatic resolution, pressing Iran to make a choice between harsh sanctions and isolation versus economic and technical cooperation. The UK has also been central in pushing for the four rounds of limited sanctions related to Iran's nuclear program that have been adopted by the United Nations Security Council (UNSC) since 2006 (Resolutions 1737, 1747, 1803, and 1929). The latest round of sanctions was passed in June 2010 after the UK, along with France and the United States, presented the International Atomic Energy Agency (IAEA) in September 2009 with evidence of a previously secret Iranian enrichment facility near the city of Qom.

Tensions between the UK and Iran increased following the controversial and disputed reelection of Iranian President Mahmoud Ahmadinejad in June 2009. Iranian authorities blamed post-election unrest on Western interference, and particularly singled out the UK. Although Prime Minister Brown strongly criticized the behavior of the Iranian government, the UK Foreign Office vehemently denied any British involvement in organizing opposition activities. In late June, Iran expelled two British diplomats (prompting the UK to expel two Iranian diplomats) and angered the British government with the arrest of nine local staff of the UK embassy in Tehran. Eight of the nine were eventually released, but in October 2009 Hossein Rassam was sentenced to four years in prison for "inciting unrest," a move that drew sharp condemnation from British and EU officials. Iran has also long accused the UK of supporting Jundallah, a militant Sunni group that operates along the Iran-Pakistan border. Iranian officials harshly asserted that the British government was behind an October 2009 Jundallah suicide bombing against Iranian Revolutionary Guard troops. In December 2009, Iran released five British citizens who had been detained for a week when their yacht strayed into Iranian waters. Previously, Iran had forcibly detained British naval personnel in 2004 and 2007.

U.S. officials have long urged European countries—including the UK—to do more to limit their trade and business ties with Iran and to adopt and enforce tighter sanctions, even if outside the U.N. framework. The EU and a number of member countries have taken some such autonomous measures, but many Europeans prefer to work strictly within the U.N. process regarding international sanctions. In recent years, some British banks, including the UK's largest (HSBC), have voluntarily cut back business dealings with Tehran and Iranian banks. The UK and the EU have long opposed the U.S. Iran Sanctions Act (ISA) as an extraterritorial application of U.S. law, although no firms have ever been sanctioned under ISA. Some European governments have in the past expressed concern that legislation like H.R. 2194 (H.Rept. 111-512), passed by the House and Senate in June 2010, could harm European energy companies and undermine transatlantic unity.[28]

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http://www.dfid.gov.uk/Documents/publications/Afghanistan-Country-Plan-2009.pdf.

[28] For more information, see CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman.

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