



House of Commons
Foreign Affairs Committee

Implications of the referendum on EU membership for the UK's role in the world

Fifth Report of Session 2015–16



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*Report, together with formal minutes and
appendices relating to the report*

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The Foreign Affairs Committee

The Foreign Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Foreign and Commonwealth Office and its associated public bodies.

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Evidence relating to this report is published on the [inquiry publication page](#) of the Committee's website.

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The current staff of the Committee are Kenneth Fox (Clerk), Nick Beech (Second Clerk), Ashlee Godwin (Committee Specialist), Dr Ariella Huff (Committee Specialist), Nicholas Wade (Committee Specialist), Clare Genis (Senior Committee Assistant), Rebecca McLoughlin (Committee Assistant), Su Panchanathan (Committee Assistant), and Estelle Currie (Media Officer).

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Summary

The forthcoming referendum on membership of the EU offers the UK a once-in-a-generation opportunity to assess its role in the world today, and to decide how it wants to organise its relations with European and global partners in the future.

Like the electorate as a whole, the Foreign Affairs Committee is divided on the question of Britain's EU membership. We see this division as an opportunity to provide an informed and balanced analysis, expressing both sides of the argument. Accordingly, we do not endorse either "remain" or "leave" in this report.

This report does not provide an exhaustive list of all costs and benefits of EU membership for the UK, or of all potential consequences of withdrawing from the EU. Instead, we highlight the major issues that we believe voters may wish to consider when reaching their own conclusions on how a so-called "Brexit" might affect the UK's role in the world.

Voters should think about the short term consequences of remaining in or leaving the EU, but—because the decision is for the long term—they should primarily be thinking about the long term consequences.

Admittedly, it is not easy to make long term predictions about what the UK, the EU and the wider world will look like twenty or thirty years from now. But there are possible risks and opportunities for either decision.

In addition to our analysis, we have attached statements from the "Britain Stronger In Europe" and "Vote Leave" campaigns so voters can read the arguments being made by both sides.

Here are some factors voters may wish to consider:

1. The UK's trading relationship with the rest of the EU.

Should the UK remain a member of the EU which gives it full access to the EU's single market, with a role in shaping its rules; or should the UK negotiate a new, looser trading relationship with the EU which, for example, could permit restrictions to be imposed on the free movement of workers?

This report discusses how, if the UK left the EU, negotiating a bespoke free trade agreement would be a likely path to follow. The Government should recognise the probability of no mutual interest deal being concluded within the two-year notice period. If no deal could be concluded within the two-year notice period, the UK would move to standard WTO relationship terms and would then need to decide which of the 6,987 directly-applicable EU Regulations would need to be replaced by UK law. Mutual economic interests should result in a comprehensive free trade agreement over time.

2. The UK's trading relationship with the rest of the world.

Does the UK benefit from better terms of trade with non-EU countries by being a part of the EU, which has free trade agreements in place with 50+ countries around

the world and more, including one with the US, being negotiated; or would the UK outside the EU, and able to pursue an independent trade policy, secure more economic opportunities for international trade?

This report outlines the choice between staying in the EU, which, as the world's largest single market, has clout in trade negotiations with other countries (the EU can offer access to a market of 500 million relatively wealthy consumers, in return for gaining access to other countries' markets); or leaving the EU, which would increase the UK's flexibility (the UK would decide its own negotiating position and not need to accommodate the disparate views and interests of other EU countries when negotiating). In other words, the EU has more leverage in securing favourable terms in bilateral and multilateral trade deals and in shaping globally-accepted standards, but it may be slower and less focused on purely UK interests, whilst the UK alone would have less leverage but could be more nimble and focused, for example on its services industries.

3. The UK's international representation and reputation.

How far does UK membership of the EU affect the UK's international standing and help multiply UK influence? Does withdrawal mean the UK will be perceived, rightly or wrongly, as more isolationist? Alternatively, would it present an opportunity for the UK to affirm a unique role as a foreign policy player close to, but independent from, both the US and Europe?

This report acknowledges that all key UK allies support the UK remaining in the EU, partly because for some allies, such as the USA, the UK is seen as a positive influence on the direction of EU foreign and defence policy. For others the UK is a useful entry point to the EU single market. These factors are in these countries' interests, and we look at how the UK could protect its own interests, remaining a member of numerous international organisations, and how it would manage its international position and reputation after "Brexit".

4. The ways in which the EU and the EU's external policies might develop with or without the UK.

If the UK stays in the EU, would it help or hinder the rest of the EU in overcoming crises, such as the migration crisis? If the UK left the EU, would it weaken or strengthen the EU's foreign and defence policy?

As a major military power with global reach, the UK is one of the most influential players in driving EU foreign policy. For example, UK leadership pushed for and obtained robust EU sanctions on Russia following the Ukraine crisis. However, the UK's level of influence has arguably declined in recent years.

There is no doubt that Europe faces increasing instability in its neighbourhood, from Libya to Syria to Ukraine. There is a debate about whether "Brexit" would destabilise the rest of the EU at a time when it is struggling to cope with currency and migration crises, or whether it would spur the remainder of the EU to act more coherently. Either way, the UK would no longer be a part of the "balance of power" in the EU, which could have an impact on how the EU develops with respect to its economy, its enlargement process, and its confidence and capabilities in its regional and global roles.

Decisions on defence, like foreign policy, currently remain at the national level, but some in the EU encourage stronger institutionalisation of defence co-operation. The UK has traditionally been reluctant to agree to this. “Brexit” could therefore allow the EU’s common defence policy to develop in a way which could undermine the cohesion of NATO, or which could improve Europe’s overall collective defence.

Finally, the evolution of the eurozone matters. Currently the euro currency is used by 19 of the 28 Member States; all non-euro states except the UK and Denmark are committed to joining in the future. An effective, high-performing and sustainable eurozone would likely benefit the UK economically, as more prosperous trading partners would buy more of our goods and services. However, to become sustainable, the eurozone will need to reform in ways which entail greater economic, financial and fiscal co-ordination and integration for participating states. This could leave the UK on the outside of an ever-tighter decision-making majority, with eurozone countries banding together in ways which could damage UK interests, particularly in the financial sector. This was recognised as an issue in the Government’s renegotiation, leading to future changes aimed at protecting the UK as a non-euro state. However, despite the safeguards, the UK inside the EU would not necessarily be able to stop the potentially detrimental political consequences of greater eurozone integration. On the other hand, despite its freedoms, the UK outside the EU would not be in a position to stop potentially detrimental economic consequences of the eurozone agreeing a position against UK interests.

The decision boils down to an assessment of the benefits of more direct, narrow, national control versus indirect and diffuse, wider international influence, and the interaction between the two. Voters will attach different weight to different factors and different probability to the risks and opportunities outlined in this report. Whatever the outcome, there will be a clearer path for the United Kingdom to follow.

Preface

This Committee represents the full spectrum of opinion on the question of the UK's continuing membership of the European Union (EU), from the strongest of enthusiasts for our continued association with the ideal of, and practical participation in, European co-operation, to those wholly sceptical about the merits of UK engagement with the institutions of the EU, both for the UK and indeed the rest of the EU. Accordingly, we do not endorse either "remain" or "leave" in this report.

However, we have all been struck by requests from people for an unbiased analysis of the costs and benefits of EU membership. The division on this Committee reflects the division in the country. It gives us the opportunity to try together to set out the issues to the electorate in a balanced way and meet this request.

We have therefore set ourselves the task of trying to lay out the implications for our country's role in the world and the factors the electorate may wish to consider as they approach their decision on 23 June. Our divisions mean we do not ascribe actual weight to these factors, but leave those to the electorate as Parliament has with the decision itself. It is a decision of great importance for our future role in the world and for our security, prosperity and democracy. The decision will guide the setting of future British foreign policy. Our aim is that this report makes the factors behind this decision easier for the electorate to comprehend, if not any easier to make.

1 Introduction

The referendum

1. Following the promise made by the Prime Minister in 2013,¹ on 28 May 2015 the Government introduced a Bill in Parliament providing the legal basis for an “in/out” referendum on the UK’s membership of the EU. According to the terms of the EU Referendum Act, which received Royal Assent on 17 December 2015, the referendum must be held no later than 31 December 2017.² Before announcing a date for the referendum, the Government undertook to secure reforms in four key areas: economic governance, competitiveness, sovereignty, and immigration.³ A deal was struck at the European Council meeting of 18–19 February 2016, after which the Government announced that the referendum will be held on 23 June 2016.

2. The Committee decided to carry out an inquiry into the costs and benefits of EU membership for the UK’s role in the world to inform public debate in advance of the vote. The aim of the inquiry is to consider how EU membership helps and hinders the UK in advancing its security, prosperity and democracy through its foreign policy, and to consider the short and long-term impact of the decision on the UK’s role in the world.

Terms of reference and evidence gathered

3. We launched our inquiry with broad terms of reference covering a wide range of issues relating to the UK’s role in the world, and sought evidence on these. The terms of reference can be found at Appendix 1.

4. We took evidence from a range of witnesses, including the High Representative of the EU for Foreign Affairs and Security Policy/Vice-President of the European Commission, Federica Mogherini. We also met privately with a range of EU and UK officials in Brussels. We are grateful to all those who took the time to submit evidence and to act as witnesses to the inquiry. We are also grateful to Professor Anand Menon, Professor of European Politics and Foreign Affairs at King’s College London, and to Dr Robin Niblett, Director of Chatham House, for acting as Specialist Advisers to this inquiry.⁴ We invited formal written submissions from Britain Stronger in Europe and Vote Leave. These can be found at Appendix 2. Our final evidence session took evidence from spokesmen for each side of the argument. Their formal opening statements can be found at Appendix 3. Our additional questions to those witnesses, and their answers, can be found on the Committee’s web pages.⁵

Purpose and structure of the report

5. To be useful to the elector, this report cannot be an exhaustive list of all costs and benefits of EU membership for the UK or of all potential consequences of withdrawing from the EU. Instead, we highlight the major issues—as identified collectively by the

1 [“David Cameron promises in/out referendum on EU”](#), BBC News, 23 January 2013

2 EU Referendum Act 2015, [Section 1](#)

3 [Letter from the Prime Minister to European Council President Donald Tusk](#), GOV.uk, 10 November 2015

4 Professor Menon and Dr Niblett’s declarations of interests are available in the [Committee’s Formal Minutes 2015-16](#) (see Tuesday 8 September 2015).

5 [Qq289-357](#)

Committee representing all points of view—that we believe voters may wish to consider in reaching their own conclusions on how a so-called “Brexit” might affect the UK’s role in the world.

6. We consider some of the potential risks and opportunities that arise from the referendum decision in the short term, then examine long-term consequences of the vote. Much of the public discussion has focused on the immediate consequences of the decision in the first few years following the vote. We find this regrettable. This referendum is likely to settle the question of the UK’s EU membership for decades to come, so we consider it essential to explore the potential impact of the decision well into the future. This is a decision for the long term and should principally be assessed in that context despite the inevitably more difficult prediction about what the UK, the EU, and indeed the wider world, will look like twenty or thirty years from today.

2 The EU as an international actor

The development of EU common foreign and defence policies

7. It is a commonplace that the UK joined a “Common Market” in 1973, not a much deeper organisation. But the reality is much more complex. The European Coal and Steel Community (ECSC), European Economic Community (EEC), European Community (EC) and now the EU, has been constant work in progress. EU co-operation on foreign policy matters dates from the establishment of the intergovernmental European Political Cooperation (EPC) mechanism in 1970. This gained legal status in the 1986 Single European Act. In 1992, the Treaty of Maastricht created the Common Foreign and Security Policy (CFSP). This allowed Member States to adopt common positions and take joint actions, voting by unanimity, and also made provision for “the eventual framing of a common defence policy, which might in time lead to a common defence.”⁶ To bolster the profile of the CFSP, the 1997 Treaty of Amsterdam established the post of High Representative for CFSP.

8. The 2008 Treaty of Lisbon introduced a number of provisions designed to strengthen the CFSP. Two of the two most far-reaching were:

- The upgrading of the High Representative post to be both High Representative of the EU for Foreign and Security Policy and a Vice-President of the Commission (HR/VP).⁷ The post is appointed by the European Council (the heads of government of all 28 Member States) by a qualified majority vote for a five-year term. The HR/VP chairs the Foreign Affairs Council and is tasked with steering the EU’s foreign policy, coordinating its various foreign policy tools, and representing the EU in some international organisations.
- The establishment of the European External Action Service (EEAS), an EU diplomatic corps comprising personnel from the Commission, the Council Secretariat and seconded Member State diplomats. The EEAS became fully operational on 1 January 2011. Its job is to implement the common decisions made by the Council of Ministers and to staff the EU’s 139 delegations in countries around the world.

Defence

9. In December 1998, the British and French Governments agreed bilaterally to create the European Security and Defence Policy (later renamed the Common Security and Defence Policy, CSDP), which aimed to enable EU Member States to prevent or intervene in conflicts where NATO as a whole chose not to become involved.⁸ To date, EU Member States have launched over 35 military, civilian and hybrid civil-military operations under the aegis of CSDP, most of them in the EU’s immediate neighbourhood. These range from small scale rule-of-law missions such as EUJUST Themis, which sent judges and rule-of-

6 Treaty of Maastricht 1992, [Title V](#)

7 From 1997 until 2009, the High Representative for CFSP was former NATO Secretary-General Javier Solana. The first holder of the upgraded HR/VP post, from 2009 to 2014, was Baroness Ashton of Upholland. She was succeeded by Federica Mogherini.

8 [Franco-British Summit Joint Declaration on European Defence](#), Saint-Malo, 4 December 1998

law experts to advise the Georgian government, to the long-running military peacekeeping operation in Bosnia-Herzegovina, to the Operation Atalanta anti-piracy mission off the coast of Somalia.⁹

10. The development of an effective EU defence identity is beset by difficulty. The UK has a long-established preference for developing a European identity within NATO and its long-established military interoperability standards. This though competes with a firm view, particularly promoted by Germany, France and Spain, that the EU should acquire a defence dimension. This also poses problems for those states which adopt positions of military neutrality.¹⁰ The relationship between the EU and NATO has also been made more difficult and complex by the dispute between NATO member Turkey and EU member Cyprus.

11. The UK conceded the possibility of common defence in the Maastricht Treaty of 1992, to accommodate our partners' aspirations, but remains anxious about duplicating military command and capabilities with NATO, and a separate EU defence capability leading to potential disengagement by the USA from European security. These contradictions are unresolved, and the impossible challenge of progressing this has been given to the current HR/VP, Federica Mogherini. This is well explained in a piece by Michael Leigh, Senior Fellow of the German Marshall Fund of the United States.¹¹

Decision-making and powers

12. EU "external relations" includes two different decision-making structures, illustrated in Figure 1 below:

- a) **Foreign policy and defence:** Decision-making in CFSP/CSDP is intergovernmental. This system applies primarily to "traditional" aspects of foreign policy, such as adopting common positions and diplomatic approaches, undertaking joint actions, and dispatching military and civilian CSDP operations. Decisions in this field are made by unanimous agreement in the Council of Ministers, and are carried out by the HR/VP and EEAS according to a framework set by Member States. The European Parliament is limited to a "consultative role", and the European Court of Justice is also excluded. Because of the requirement for unanimity, the EU as a whole cannot undertake any action in CFSP/CSDP if even one Member State dissents. Member States are also free to pursue their own independent foreign policies outside the EU.
- b) **Trade, aid and sanctions:** The policy- and decision-making processes are different in areas such as international trade and EU development policy. In these fields, Member States are not free to pursue alternative policies of their choice, because legal competence rests partially or entirely with the EU. All bilateral or multilateral trading agreements with non-EU countries are negotiated solely by the European Commission, on the basis of a mandate agreed and granted by the Council. These agreements are then subject to the normal EU decision-making procedures, including Qualified Majority Voting in the Council and consent from the European Parliament. Member States cannot negotiate their own trade deals. Decisions on the issuing of sanctions against non-

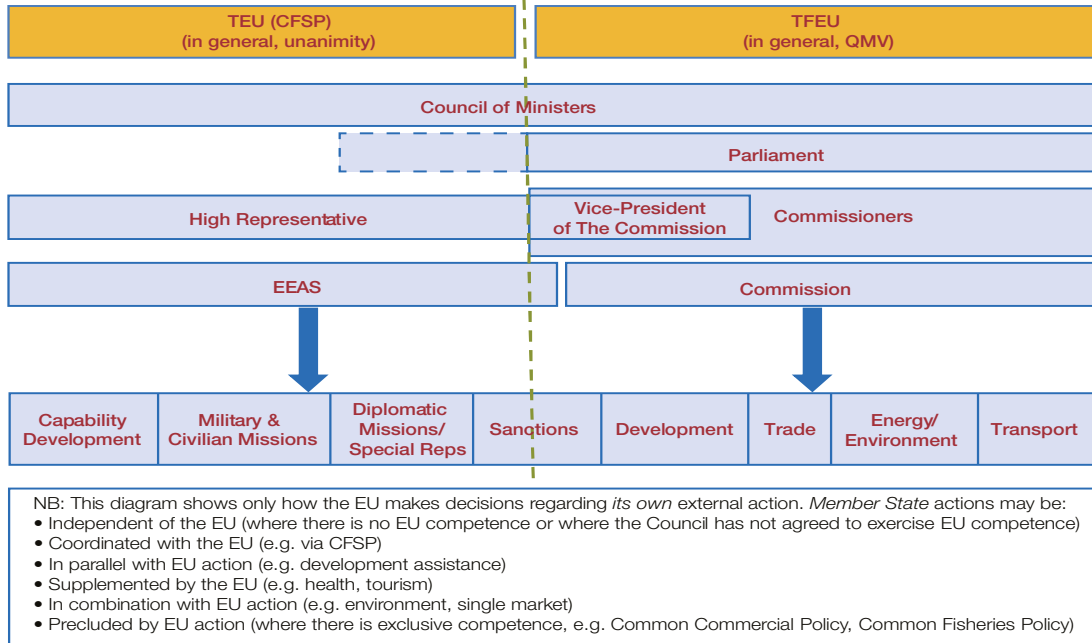
9 European External Action Service, "[Missions and Operations](#)", accessed 1 March 2016

10 Sweden, Austria, Ireland and Finland

11 Michael Leigh, "[EU Global Strategy](#)", Paper 20 in Expert Opinion series, European Union Institute for Security Studies, February 2016

EU countries, meanwhile, follow a two-stage process: first, the Council of Ministers agrees—unanimously—to a framework for sanctions; then, the Commission and the HR/VP together draft more specific proposals, which are eventually agreed by the Council by Qualified Majority Voting.

Figure 1: Division of competences and decision-making in EU external relations



Source: HM Government, [Review of the Balance of Competences between the United Kingdom and the European Union: Foreign Policy](#), July 2013, p. 19

3 Stay or go? The next steps

The day after a vote to leave...

Negotiating a new relationship with the EU

13. Only Greenland (part of Denmark) (1985) and Algeria (on independence from France) (1962) have left the EU or its earlier incarnations. If the UK withdraws from the EU it would almost certainly follow the procedures set by Article 50 of the Treaty on European Union, which establishes a two-year timeframe for negotiations between the withdrawing state and the EU. This can be extended by mutual agreement, but that requires unanimity from our former EU partners.¹² These negotiations would cover both the specific arrangements for the UK's withdrawal and the framework for future relations between the UK and EU.¹³ When complete, the agreement would need to be agreed by qualified majority in the Council of Ministers and to obtain the consent of both the European and UK Parliaments.

14. Leaving the EU would pose three key challenges in the two-year period immediately after the referendum: negotiating a new UK-EU relationship, re-negotiating frameworks for relations with the rest of the world, and navigating our allies' perceptions of the decision.

15. The political climate after notice of UK withdrawal from the EU would probably not favour quick agreement of mutually beneficial trading arrangements, despite the strength of the economic rationale for both sides.¹⁴ Open Europe, for example, ran a role-playing exercise in January 2016 which suggested that negotiations to leave the EU and establish a new relationship could become "acrimonious" and even "hostile", with remaining Member States aiming to punish the UK for leaving, to capture slices of industries with strong UK bases (especially financial services), and to deter other Member States from following the UK's example.¹⁵

16. Many of our witnesses, as well as other analysts, have suggested that the existing templates for non-EU states to gain full or partial access to the single market—often referred to as the "Norwegian" and "Swiss" models—would not be appropriate or advantageous for the UK.¹⁶ This was the view taken by our predecessor Committee in its 2013 Report on the Future of the EU.¹⁷ Norway, along with Iceland and Liechtenstein, is a member of the European Economic Area, while Switzerland's relationship with the EU is defined in a series of bilateral treaties. In exchange for access to the single market, both

12 Cabinet Office, *The process for withdrawing from the European Union*, Cm 9216, February 2016, p 13

13 *In Brief: Leaving the European Union*, Standard Note SN/IA/6089, House of Commons Library, October 2011

14 Prof. Richard Rose, EUM0012, para 15; Matthew Karnitsching and Nicholas Hirst, "A long, costly and messy divorce", *Politico*, 2 March 2016; "Brexit and EU foreign policy: the view from other Member States", Report of workshop at the London School of Economics and Political Science, 15 March 2016, accessed 17 March 2016

15 "A rocky rehearsal", *The Economist*, 30 January 2016; Pawel Swidlicki, "How the EU ganged up on Britain in our Brexit wargame—and denied 'Cameron' a deal", *The Telegraph*, 27 January 2016; Raoul Ruparel, Stephen Booth and Nina Schick, *EU Wargames: the challenges facing UK negotiators inside and outside the EU*, February 2016, pp 27–30

16 Qq122–124; Dr Andrew Glencross, EUM0002, paras 3–6; Prof. Richard Rose, EUM0012, para 16; Dr Federica Bicchì, Dr Nicola Chelotti, Prof. Karen E. Smith and Dr Stephen Woolcock, EUM0014, para 12; Jean-Claude Piris, *If the UK votes to leave: the seven alternatives to EU membership*, Centre for European Reform, January 2016; "Alternative Lifestyles", *The Economist*, 17 October 2015

17 Foreign Affairs Committee, First Report of Session 2013–14, *The future of the European Union: UK Government policy*, HC 87-1, para 164

the EEA states and Switzerland must pay into the EU budget and adopt a large proportion of EU law—including free movement of people—but they have no say in how those laws are made. From a UK perspective, these models would thus bring few benefits in terms of repatriating sovereignty over law-making and immigration, while still imposing many of the costs associated with the *status quo*.

17. Rather than following these existing templates, the UK ought therefore to opt to pursue a bespoke arrangement, including a comprehensive Free Trade Agreement (FTA) taking into account the interests of Gibraltar, the other Overseas Territories and the Crown Dependencies. Detailed and possibly lengthy negotiations between the UK and the remainder of the EU would be required in order to achieve a deeper settlement than the terms of the European Free Trade Association (EFTA), which offers tariff-free trade on goods but—crucially, from a UK perspective—excludes services.

18. The economic case for concluding a wide-ranging UK-EU FTA would be very strong from both EU and UK perspectives. According to estimates published by the Office for National Statistics, between 42.1% and 49.7% of UK exports in 2014 went to the EU,¹⁸ while 53.2% of UK imports that year came from the EU.¹⁹ The UK therefore has a large total deficit on trade in goods and services with the EU—£59 billion in 2014—although it has a surplus of £21 billion in services.²⁰ For these reasons, an extensive analysis by the Open Europe think tank, which has remained neutral on the referendum, concluded that there is a “high likelihood” that the UK and EU could conclude preferential trade deals covering goods sectors after UK withdrawal (but added that securing seamless market access in services might be “more difficult” because of the UK’s trade surplus).²¹

19. In the light of these challenges and the many unknown variables, it is difficult to predict with certainty the type and terms of the new relationship between the UK and EU after a decision to withdraw. In our view, it cannot be assumed that the UK would retain full or partial access to the single market if it left the EU, or that it would wish to do so given the restrictions and costs that such an arrangement could potentially incur. It is nevertheless probable that, due to the strong economic imperative, the UK and EU would seek to negotiate some form of trade deal as quickly as possible in the light of the political climate. The Government should recognise the probability of no mutual interest deal being concluded within the two-year notice period. If no deal could be concluded within the two-year notice period, the UK would move to standard WTO relationship terms and would then need to decide which of the 6,987 directly-applicable EU Regulations would need to be replaced by UK law.²² It is, however, a reasonable assumption that in the medium term a suitable mutual interest deal would be concluded. It is possible that the transition process could be fully co-operative and disruption minimised, but this would depend on how well EU countries respond to a perceived rebuff by the British electorate. As time heals, mutual interest will progressively trump any short-term hurt feelings and both the climate for, and interest in, agreement in the mutual interest would improve.

18 The variation in figures represents the range of estimated impact of the so-called “Rotterdam effect”, whereby exports from the UK to non-EU countries that travel via the port of Rotterdam are counted as exports from the UK to the EU. Please see: *In Brief: UK-EU economic relations*, [Standard Note SN/6091](#), House of Commons Library, January 2016

19 Office for National Statistics, “[How important is the European Union to UK trade and investment?](#)” 26 June 2015

20 *Exiting the EU: impact in key UK policy areas*, [Standard Note SN/7213](#), House of Commons Library, February 2016

21 Stephen Booth, Christopher Howarth, Mats Persson, Raoul Ruparel and Pawel Swidlicki, [What If...? The consequences, challenges and opportunities facing Britain outside EU](#), Open Europe, March 2015, p 6

22 EUR-Lex, [Directory of European Union legislation](#), accessed 13 April 2016

Relations with the rest of the world

Trade

20. The EU currently has preferential trading agreements or free trade agreements (FTAs) with more than 50 countries. These aim to facilitate trade by, for example, reducing or removing tariffs, agreeing on product, labour and intellectual property standards, and mutual recognition of qualifications. It is negotiating or close to concluding FTAs with over 80 more.²³ Examples include the EU-South Korea FTA, which entered into force in 2011. The EU-Canada Comprehensive Economic and Trade Agreement (CETA) has been concluded but awaits formal approval. The largest ever attempted is the EU-US Transatlantic Trade and Investment Partnership (TTIP), for which negotiations are ongoing. Professor Sir Alan Dashwood QC told us that if the UK leaves the EU, it would lose access to those agreements and would revert to trading with those countries under basic World Trade Organisation (WTO) rules.²⁴ According to Professor Dashwood and other submissions of evidence—both to our inquiry and to a parallel inquiry by the Treasury Select Committee—the UK would have to start from scratch if it wished to negotiate successor agreements (albeit potentially using the existing EU FTAs as templates).²⁵

21. Since the UK has not negotiated FTAs on its own behalf for over 40 years, the Government does not currently possess the knowledge or capacity to manage such a large-scale undertaking. It would have to acquire it in a hurry and to scale. This would be relished by international legal firms who would benefit from a substantial temporary consultancy requirement until this capacity could be provided by HMG itself. It could take about a decade for the demand for new deals to move into long-term equilibrium, once the backlog of replacement EU free trade deals had been cleared. The President of the Board of Trade would be a key Cabinet appointment requiring support from other senior Ministers. In parallel, outside the EU, the UK would be capable of being, and would need to be, an advocate for global free trade.

22. This view of the consequences of withdrawal for FTAs is not universal; a paper published by the Institute for Economic Affairs argued that the UK would retain its obligations under FTAs it signed as an EU Member State even after a “Brexit”.²⁶ In either case, however, those agreements would face significant operational complications if it took many years to establish the terms of the new relationship between the UK and EU, since the extent of the UK’s access to the single market would affect the terms of its FTAs with third states. Whilst multilateral negotiations to agree new trading rules for all 162 members of the WTO have largely stalled, the UK could promote plurilateral deals whereby groups of countries make agreements on certain areas of trade; for example, 25 WTO members (including the EU) are currently negotiating a plurilateral Trade in Services Agreement.

23 European Commission, “[EU trade relations worldwide—a map](#)”, accessed 19 February 2016

24 [Q217](#)

25 [Qq196–198](#); Dr Federica Bicchi, Dr Nicola Chelotti, Prof. Karen E. Smith and Dr Stephen Woolcock, [EUM0014](#), para 13a; Richard Rose, [EUM0012](#), para 19, Oral Evidence taken before the Treasury Select Committee on 27 October 2015, HC (2015–16) 499, [Qq47–51](#) [Mr Rees-Mogg and Mr Kerevan]

26 Iain Mansfield, [A Blueprint for Britain: Openness not Isolation](#), Institute for Economic Affairs, 2014, p 14

Relations with the EU's neighbourhood

23. In addition to FTAs, the UK is a party to hundreds of international political agreements between the EU and other states and organisations, as well as so-called “mixed competence” agreements to which the UK is a signatory alongside the EU. According to our witnesses, these agreements would, in practice, cease to apply after “Brexit”. If the UK wished to replace them with successor agreements, these would also have to be negotiated from scratch.²⁷ These agreements include those governing the framework through which the EU engages with sixteen countries in North Africa, the Middle East and Eastern Europe. This European Neighbourhood Policy (ENP) is intended to underpin the EU’s bilateral relationships with its neighbours, using a wide range of Commission-run financial instruments to encourage political and economic reform. Given what has happened in the region since this policy was adopted, it has hardly been an unqualified success, but it remains an important way for the EU to support fragile economies, not least a close ally such as Jordan. Leaving the EU would limit the UK’s international reach, not least by removing the UK’s influence over those European Commission-led instruments.²⁸ Given the current crisis across these regions, establishing new agreements and frameworks for UK relations with these states after a “Brexit” would be a matter of urgency. The UK would also need to re-assess its sanctions regimes, for example against Russia, as it would no longer be bound by the EU’s collective rules.

24. This positive and negative use of EU economic weight would no longer be subject to UK influence. EU sanctions on Russia, for example, would probably have been weaker without the UK’s Prime Minister arguing within the EU for a robust response to the Russian seizure of the Crimean peninsula from Ukraine.

Managing perceptions of the UK and EU

25. Withdrawal from the EU would not change the UK’s formal status in other key global and regional alliances and networks, including NATO, the United Nations Security Council, the Commonwealth, the G8 and G20 groups of leading states, the Organisation for Economic Cooperation and Development, and the Council of Europe. The UK would retain its existing seat on the World Trade Organisation and would regain the capacity to represent itself independently in WTO negotiations, where it is currently represented by the EU.²⁹

26. All UK partners, however, have said that they would not welcome UK withdrawal from the EU. It is clearly in most other countries’ interests that the UK should stay in the EU, which constitutes a key element of the rules-based international order to which the UK is committed.³⁰ For this reason, some allies may perceive a decision to leave the EU, rightly or wrongly, as a “retreat” from world affairs or “shrinking” of the UK’s international role.³¹

27 [Qq196–198](#)

28 House of Lords, Europe in the world: Towards a more effective EU foreign and security strategy, Eighth Report of the European Union Committee, Session 2015–16, [HL Paper 97](#), para 101

29 All 28 Member States of the EU, including the UK, are members of the WTO in their own right. The EU has also had a seat on the WTO since 1995. Since the EU is a customs union with a single trade policy and single tariff regime, the EU speaks for all of its Member States at almost all WTO meetings.

30 [“Exclusive: Obama wants the UK to remain part of the EU”](#), BBC News, 23 July 2015; [“The Geopolitical Question”](#), The Economist, 17 October 2015; Stefan Wagstyl and George Parker, [“EU Referendum: US Secretary of State urges UK to stay”](#), Financial Times, 13 February 2016; TheCityUK, [EUM0022](#), para 25; Dr Tim Oliver and Almut Möller, [EUM0019](#), para 5; Dr Wyn Rees, [EUM0009](#), para 20

31 [Q22](#); Prof. Richard G. Whitman, [EUM0015](#), para 15

Richard Haass, for example, a prominent US commentator and President of the Council on Foreign Relations, has written that “it is hard to envision Brexit resulting in anything other than a more parochial and less influential UK,”³² expressing a view that is shared by many—although not all—of his compatriots.³³ Dr Tim Oliver of the LSE and Almut Möller of the European Council on Foreign Relations submitted evidence citing a wide range of views on “Brexit” from experts around the world, which concluded:

We found next to no support for the idea that a Brexit would enhance Britain’s international standing. Many of the views were clear the UK would remain a valuable ally, friend or economic partner with whom they could do business. However, these would be lesser deals and overshadowed—and largely framed by—relations with the remaining EU.³⁴

27. As the Rt Hon Dr Liam Fox MP noted, however, our allies’ views on “Brexit” represent their own interests, which do not necessarily align with the interests of the UK. He told us:

In any case, we are here to do what is in Britain’s national interest, not other people’s national interest. I have taken particular note of what has been said in the United States: there is no shortage of American political opinion telling us that we ought to remain in the European Union—an organisation that no American politician would ever tolerate.³⁵

Scotland

28. Such a perception would be magnified if a vote to leave the EU triggers a second referendum on Scottish independence, leading to Scotland’s withdrawal from the UK.³⁶ The European and External Relations Committee of the Scottish Parliament, for example, has recently concluded that “there is more support for EU membership in Scotland than in many other parts of the UK”, which is reflected in recent opinion polls in Scotland.³⁷ In 2013, our predecessor Committee concluded that although it was “difficult to measure the impact” of Scottish independence on the international influence and role of the remaining UK, “some degree of reputational damage [would be] inevitable.”³⁸ It is difficult, however, if not impossible, to make credible or specific predictions on this question, given the uncertainty involved at every stage of the process, from the political context in which a second referendum might take place, to the type of settlement the remaining UK would agree with the EU.

32 Richard N. Haass, “*Brexit and the Special Relationship*”, Project Syndicate, 15 February 2016

33 Benjamin Oreskes, “*America’s Brexit Blahs*,” Politico, 15 February 2016; “*An interview with Ian Bremmer*”, The Economist Bagehot blog, 23 February 2016; David Francis, “*Here’s what happens if Britain dumps the EU*”, Foreign Policy, 10 March 2016; Ned Simons, “*Britain’s EU membership ‘vital’ for security of United States, says Senator John McCain*”, Huffington Post UK, 18 March 2016

34 Dr Tim Oliver and Almut Möller, [EUM0019](#), para 31

35 [Q302](#)

36 “*Sturgeon: EU exit could trigger demand for Scottish independence referendum*”, BBC News, 21 February 2016

37 The Scottish Parliament, European and External Relations Committee, Second Report of Session 4 (2016), [EU reform and the EU referendum: implications for Scotland](#), SP Paper 978, para 248

38 Foreign Affairs Committee, Sixth Report of Session 2012–13, [Foreign policy considerations for the UK and Scotland in the event of Scotland becoming an independent country](#), HC 643, para 8

A blow to the EU?

29. Any short-term reputational risks of “Brexit” would probably extend beyond the UK, as the departure of one of its largest and its most globally oriented Member State could damage the credibility of the EU as well. The EU today is facing potentially existential challenges, including a migration and refugee crisis that threatens to unravel the Schengen border-free zone and a Eurozone crisis that has not yet been fully resolved. As the Foreign Secretary has suggested, the UK’s departure could also strengthen political parties and groups in other Member States that favour leaving the EU, leading to widespread destabilisation.³⁹ Even if such a “domino effect” could be avoided, the war-gaming exercise carried out by Open Europe in January 2016, in which senior diplomatic and political figures simulated negotiations following a “Brexit”, suggested that UK withdrawal could deliver “a serious blow” to the remainder of the EU.⁴⁰ Instability in the EU would be likely to have negative knock-on effects for the UK as well, as it sought to negotiate the terms of its exit and its future relationship with the EU.

30. The loss of the UK, generally regarded as a driver of economic liberalism and supporter of good transatlantic relations, could change the balance of power in the remaining EU. This could, for example, lead towards a more protectionist approach to single market or trade policy issues, with implications for the UK trading with the EU and the rest of the world. It could also, for example, affect foreign policy if a different, perhaps less robust approach, were taken in relation to Russia (including sanctions) or other countries in the EU’s neighbourhood.

Effect on Overseas Territories

31. UK withdrawal from the EU would also affect Britain’s overseas territories and the Crown Dependencies. We received a submission from the Crown Dependencies which did not take a view on what the UK should do, but did note that it would be “essential” for the UK to consult them closely in the event of a decision to leave.⁴¹ To discharge its duty to the Crown Dependencies, the UK should consult on the principles enshrined within Protocol 3 of the 1972 Treaty of Accession, recognising their interests during any future negotiation of our relationship with the EU. We also received evidence from the Governments of the Falkland Islands and of Gibraltar, both of which argued against UK withdrawal from the EU for economic and political reasons. The Government of the Falkland Islands particularly noted the benefits of the EU for its economy, adding:

The provisions of the Treaty of Rome, and its successor Treaties, provides HMG/FIG [Falkland Islands Government] with considerable certainty and support from EU Member States because of these provisions. Were the UK no longer a member of the EU that support would be much less certain from a large number of those EU Member States, and might encourage Argentina to be much more aggressive in its approach.⁴²

The submission from the Government of Gibraltar asserted that the “overwhelming majority” of the people of Gibraltar, who are entitled to vote in the referendum, will vote

39 George Parker, *“UK ministers warn of ‘domino effect’ if Britain leaves EU”*, Financial Times, 18 February 2016

40 Raoul Ruparel, Stephen Booth and Nina Schick, *EU Wargames: the challenges facing UK negotiators inside and outside the EU*, February 2016, p 35

41 The Crown Dependencies, [EUM0031](#), para 7

42 Sukey Cameron MBE, Representative of Falkland Islands Government, [EUM0033](#), para 7

to remain in the EU.⁴³ It also highlighted the importance of the EU to its economy, and expressed concern that Spain would take advantage of a UK exit from the EU to “further undermine, isolate and exclude Gibraltar from the European mainstream.”⁴⁴ The UK must immediately act to protect Gibraltar from such actions in the event of a vote to leave the EU.

Challenges and opportunities for the FCO following a “Brexit” vote

Building independent capacity

32. Although the challenges outlined above are considerable, none are insurmountable. In our view, swift action by the Government and FCO could mitigate many of these potential problems, and indeed open up new opportunities for the UK to redefine its international role. As Peter Hargreaves of the Hargreaves Lansdown investment management firm has said, the insecurity resulting from a “Brexit” vote could provide a “fantastic stimulus” and “a great incentive for us to go out and prove that it’s right.”⁴⁵ However, a vigorous response would require resources and a decision to double, or even treble, the budget of the FCO. This could have a powerful, positive impact in the event of a “Brexit”—potentially guided by re-allocating some of the money that had hitherto been included in the UK’s contributions to the EU budget. As already referenced in paragraph 22, committing significant resources to hiring teams of skilled negotiators to manage the EU withdrawal process and to pursue new international agreements and FTAs would go some way towards ensuring successful outcomes. London probably possesses the largest global concentration of such ability in its legal and financial services firms.

33. It would also be necessary for the FCO to ensure strong representation in Brussels and in EU countries—reversing the recent trend of down-sizing its European network—to maintain positive relations, to ensure UK interests are represented, and to facilitate bilateral political co-operation in areas of mutual interest.⁴⁶ Significantly boosting the FCO’s capacity would, moreover, send a strong signal of the UK’s commitment to an outward-looking, globally engaged foreign policy, thereby helping to reassure our allies and to mitigate the reputational risk associated with EU withdrawal. Indeed, the FCO would have to take the opportunity of withdrawal from the EU to launch a wide-ranging review of the UK’s position in the world (and in our view the apparent lack of such contingency work in government has been regrettable). In so doing, it could identify the particular areas of UK interest and strength around which specific goals to be achieved could be set, either alone or through one of the many other international alliances and networks of which the UK would remain a part.

The day after a vote to remain...

34. It is clear that a vote to stay in the EU would be met with widespread relief among both our EU and NATO partners. The majority of evidence we received, moreover, argued that the UK’s influence in the world is largely helped, rather than hindered, by its current

43 HM Government of Gibraltar, [EUM0029](#), para 5.1

44 HM Government of Gibraltar, [EUM0029](#), para 4.1

45 Jack Gilbert, “[Peter Hargreaves: Brexit would be ‘fantastic stimulus’ for UK](#)”, Citywire.co.uk, 18 March 2016

46 Dr Heather Grabbe, [EUM0030](#), para 12; Graham Avery, [EUM0027](#), para 4; Prof. Richard Rose, [EUM0012](#), para 21

position as an EU Member State,⁴⁷ although this view was not universal.⁴⁸ This echoed the balance of evidence heard by the Government in its 2013 Review of the Balance of Competences between the EU and UK in foreign policy.⁴⁹

35. There remain significant flaws in the EU's external relations regime, however, which could pose considerable challenges for the UK even in the immediate future. We identify three, in particular: the apparent decline of UK influence in driving EU foreign policy, the slow and cumbersome character of EU policy-making, especially in trade, and the EU's failure to grapple with extreme instability on its borders. If not addressed in the near future, these pressing problems could evolve into major long-term risks for the UK inside the EU.

UK influence?

36. Most witnesses—including the FCO—said that the UK was perceived as an influential player in driving EU foreign policy.⁵⁰ The FCO stated:

As a large Member State with global interests and membership of many key international organisations and groupings, the UK is in a strong position to influence EU common action.⁵¹

Similarly, the Rt Hon Alex Salmond MP told us that the EU “delivers more freedom, more prosperity and more ability to influence the world environment than we would have if we weren't members.”⁵² Heather Grabbe, Jean Monnet Fellow at the European University Institute, argued:

UK goals in foreign policy have rarely been at odds with those of the rest of the EU over the first two decades of EU collective action. Much more often, the UK has pushed other EU members towards collective responses, and British politicians have taken the lead. This was the case at the beginning of the Common Foreign and Security Policy in trying to stop the Balkan wars in the 1990s and reconstruction thereafter, with Paddy Ashdown in the prominent role of High Representative in Sarajevo. It was also the case very recently when William Hague played a leading role in the Foreign Affairs Council in forging a common EU response to Russia's invasion of Crimea. And of course Baroness Ashton was the EU's lead and negotiator with Iran and also in forging the deal between Kosovo and Serbia while she was High Representative for Foreign and Security Policy for five years. In all of these cases, EU membership not only helped the UK to achieve far more in its foreign policy than it could have

47 [Q2](#); Ian Bond, [EUM0023](#), paras 1–2; Prof. Richard G. Whitman, [EUM0015](#), paras 1–4; Dr Federica Bicchì, Dr Nicola Chelotti, Prof. Karen E. Smith and Dr Stephen Woolcock, [EUM0014](#), para 2; Dr Dermot Hodson and Dr David Styan, [EUM011](#), paras 1–4; Dr Heather Grabbe, [EUM0030](#), paras 2–8; Nick Witney, [EUM0010](#), para 4; Robin Porter, [EUM0028](#), paras 1–7

48 David Campbell-Bannerman MEP, [EUM0028](#), para 1; Mark Langan, [EUM0016](#), paras 19–22

49 HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union: Foreign Policy*, July 2013, p. 87

50 [Q16](#), [Q238](#), [Q242](#); Ian Bond, [EUM0023](#), para 2; Dr Tim Oliver and Almut Möller, [EUM0019](#), para 33; Prof. Richard G. Whitman, [EUM0015](#), paras 16–17; Dr Federica Bicchì, Dr Nicola Chelotti, Prof. Karen E. Smith and Dr Stephen Woolcock, [EUM0014](#), para 5; Dr Dermot Hodson and Dr David Styan, [EUM011](#), paras 1–4; Dr Heather Grabbe, [EUM0030](#), para 2; Foreign and Commonwealth Office, [EUM0024](#), para 2

51 Foreign and Commonwealth Office, [EUM0024](#), para 5

52 [Q307](#)

done as one country, but it allowed the UK to shape the responses of many other countries, some of which would have been passive or non-contributory otherwise.⁵³

Asked about EU foreign policy in the event of Brexit, Federica Mogherini told the Committee:

It is extremely difficult today to imagine, first, what EU foreign policy will be without the UK, because today the UK shapes EU foreign policy a lot. Foreign policy will need to be revised and reviewed somehow, in a way that is quite impossible for me to predict, because the UK is a fundamental part of it. It is also very difficult today to say what kind of relation or interaction there could be between a different EU foreign and security policy and a UK that is outside the European Union, because that situation is extremely far from the reality of today, when the UK's contribution is at the heart of our daily work.⁵⁴

37. Several witnesses also told us that the EU's current commitment to pursuing free trade and economic liberalisation is strongly driven by UK priorities.⁵⁵ This view, however, was not universal; Conservative MEP David Campbell-Bannerman argued in his written submission that “the claim of great British influence in the European Union machine is delusory”,⁵⁶ while Professor Patrick Minford of Cardiff University told us that while the UK may be “a force for liberalism inside a fundamentally illiberal EU political and economic philosophy,” its influence on EU policy did not outweigh the costs of membership.⁵⁷

38. At the same time, a number of witnesses also suggested that the UK is less influential than it could or, arguably, should be in driving some aspects of EU foreign policy. Charles Grant, Director of the Centre for European Reform, told us:

Frankly, in the past five to 10 years or so, Britain has become more inward-looking and been less willing to engage and lead the EU and shape EU foreign policies. When I talk to people around the table in the European Council and the Foreign Affairs Council, they say that the British often do not say very much, are quieter than they used to be and seem quite happy for others to take the lead.⁵⁸

A submission from a group of academic experts at the London School of Economics and Political Science (LSE) noted that the UK had become “somewhat disengaged” from EU foreign policy-making.⁵⁹ Graham Avery, meanwhile, a UK national and former senior Commission official, told us that the referendum process had “rightly or wrongly” given other EU states “the impression...that Britain is disengaging itself.”⁶⁰ This view was echoed in evidence taken recently by the House of Lords EU External Relations Sub-Committee.⁶¹

53 Dr Heather Grabbe, [EUM0030](#), paras 2–3

54 [Q279](#)

55 [Q25](#), [Q119](#); Dr Tim Oliver and Almut Möller, [EUM0019](#), para 33; TheCityUK, [EUM0022](#), para 13; Dr Dermot Hodson and Dr David Styan, [EUM0011](#), para 3

56 David Campbell-Bannerman MEP, [EUM0028](#), para 5

57 [Q120](#)

58 [Q16](#)

59 Dr Federica Bicchì, Dr Nicola Chelotti, Prof. Karen E. Smith and Dr Stephen Woolcock, [EUM0014](#), para 5

60 [Q55](#)

61 House of Lords, Europe in the world: Towards a more effective EU foreign and security strategy, Eighth Report of the European Union Committee, Session 2015–16, [HL Paper 97](#), paras 96–97

Our predecessor Committee, moreover, found in 2013 that the UK was “significantly under-represented” among the staff of the major EU institutions, concluding that this posed a “serious problem” for the UK’s ability to influence EU decision-making.⁶²

39. The FCO told us that the EU, acting collectively, had “an important comparative advantage” in its ability “to muster the weight of 28 Member States” in pursuit of common policy goals.⁶³ This argument recurred throughout the evidence we received.⁶⁴ Such potential advantages are of little use to the UK, however, if it cannot or will not take the lead in shaping those goals. If the apparent decline in UK influence continues, moreover, it could lead to the increasing adoption of stances and policies that run counter to British interests, particularly in areas that are sometimes governed by qualified majority such as trade and development.

A tanker or a yacht? The EU’s trade policy

40. Even when the EU’s policy choices reflect UK interests, it can be very slow to act. In the Common Foreign and Security Policy and Common Security and Defence Policy, the requirement for consensus within the Council of Ministers has often been described as leading to “lowest common denominator” outcomes.⁶⁵ Both the current and former HR/VPs, Federica Mogherini and Baroness Catherine Ashton, rejected this characterisation,⁶⁶ with the latter in particular insisting that EU common positions represented the “highest common factor” on which Member States could agree.⁶⁷ Baroness Ashton also conceded, however, that the EU was more like a “tanker” than a “yacht”: slow to move and not particularly nimble although—she claimed—powerful and effective at sticking with its decisions in the long term.⁶⁸

41. This analogy also applies to international trade policy, though trade is largely governed by qualified majority voting rather than unanimity. Many submissions argued that the size of the single market gives the EU powerful leverage in negotiating favourable terms in its FTAs with third states.⁶⁹ Nick Witney of the European Council on Foreign Relations, for example, summed up this argument as follows: “the EU, the largest trading bloc in the world, offering access to its single market, has a massive in-built advantage.”⁷⁰ However, the size and heterogeneity of the single market also makes it relatively slow to negotiate these agreements. The EU-Canada Comprehensive Economic and Trade Agreement, for example, began with an impact assessment in June 2007, followed by the launch of official negotiations in 2009; it took five years to complete the draft text, and as at April 2016 the agreement still awaits ratification.⁷¹

62 Foreign Affairs Committee, Second Report of Session 2013–14, *The UK staff presence in the EU institutions*, HC 219, paras 11 and 18

63 Foreign and Commonwealth Office, [EUM0024](#), para 4

64 [Q2](#), [Q250](#), [Q277](#); Dr Federica Bicchi, Dr Nicola Chelotti, Prof. Karen E. Smith and Dr Stephen Woolcock, [EUM0014](#), para 2; Prof. Richard G. Whitman, [EUM0015](#), para 2

65 See, for example, HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union: Foreign Policy*, July 2013, p. 43

66 [Q272](#)

67 [Q238](#)

68 [Q234](#)

69 Foreign and Commonwealth Office, [EUM0024](#), para 4; CBI, [EUM0018](#), para 5; Dr Federica Bicchi, Dr Nicola Chelotti, Prof. Karen E. Smith and Dr Stephen Woolcock, [EUM0014](#), para 14; Prof. Richard G. Whitman, [EUM0015](#), para 13; Dr Heather Grabbe, [EUM0030](#), para 4

70 Nick Witney, [EUM0010](#), para 11

71 Government of Canada, [“Chronology of events and key milestones in CETA”](#), accessed 7 March 2017

42. Meanwhile, there remain major substantive obstacles to concluding the Transatlantic Trade and Investment Partnership,⁷² and debates in other Member States currently threaten to slow or even block agreement (particularly if it eventually requires ratification by each Member State, which is likely but not yet certain).⁷³ Already, French cultural concerns have led to audio-visual services being excluded, which, given the UK's success in the creative sector, would appear to be a reverse for UK policy. It is a good example of how the EU's FTAs need to accommodate the interests of all members. Failure to conclude and ratify TTIP would represent a substantial blow to the UK, which has been among the agreement's strongest supporters. If the FTA process continues to be as slow and cumbersome as it has been thus far, the EU—and, by extension, the UK, which cannot conclude FTAs on its own—risks becoming a follower rather than a leader in international trade, including on standards and regulation setting.

A neighbourhood on fire

43. Falling behind on international trade would also risk damaging the EU's foreign policy clout, especially in its immediate neighbourhood. According to some of our witnesses, the EU's ability to use financial and economic instruments such as trade and aid as levers constitutes an important advantage in dealing with countries in its region.⁷⁴ Federica Mogherini cited EU policy towards Jordan as a specific example of the EU adding value to what the UK could achieve alone, telling us:

[The UK Prime Minister] is co-hosting a conference in London next month to provide support for Jordan which is faced with a massive refugee influx from Syria. Both the refugees and Jordanians need jobs, without which the former at least will be tempted to migrate on to Europe. So, on top of cash, the biggest help Jordan can get is greater access for its exports to the EU market of 350 million consumers. Only the EU can deliver this. But greater textile or agricultural imports could hurt the interests of other EU members with similar industries. Only with Britain arguing for this measure from the inside can we be sure of getting an outcome that is good for Britain, good for Jordan and good for the stability of the region.⁷⁵

On Ms Mogherini's last point, we cannot of course be sure of such an outcome: UK advocacy just makes it more likely.

44. Twelve years after the launch of the EU's Neighbourhood Policy, however, the neighbourhood is in flames. From Libya, to Syria, to Ukraine, the weaknesses in the EU's policies toward the countries in its immediate region are starkly evident. As the House of Lords EU Select Committee recently noted, for all the EU's alleged potential to combine a range of instruments in pursuit of policy goals, its record in using these instruments coherently is somewhat poor.⁷⁶

72 Hans von der Burchard, "[EU, US claim TTIP progress, but sticking points remain](#)", Politico, 26 February 2016

73 Sarantis Michalopoulos, "[Athens says TTIP should be ratified by national parliaments](#)", EurActiv News, 15 January 2016

74 [Q81](#); Foreign and Commonwealth Office, [EUM0024](#), para 4

75 Footnote to [Q274](#) (Note by witness)

76 House of Lords, Europe in the world: Towards a more effective EU foreign and security strategy, Eighth Report of the European Union Committee, Session 2015–16, [HL Paper 97](#), paras 224–228

45. These problems have been thrown into further relief by an unprecedented migration crisis. As Nick Witney of the European Council on Foreign Relations wrote in his submission, “If Europe does not wish to be faced with repeated mass population movements from the South and East for years to come, it will have to put a lot more effort into doing what it can for stability and prosperity in the Middle East and Africa.”⁷⁷ This suggests that the EU will have to do more in using all its policy levers, including liberalising its agricultural markets. The migration question is likely to dominate the EU’s agenda for some time to come. As a non-member of the Schengen border-free zone, the UK has thus far stood somewhat aside from the disputes over the crisis. Both if it remains inside the EU or leaves, however, it cannot remain unaffected by the overall damage that the crisis is doing to the EU’s reputation, internal cohesion and external relations—most recently demonstrated by the deal reached between the EU and Turkey in March 2016, about which we have previously expressed some concern.⁷⁸ At issue is UK interest and influence on the future cohesion of the EU.

Challenges and opportunities for the FCO after a vote to remain

Making the most of the EU and its institutions

46. The UK will not be in a position to help address the substantial problems outlined above if, after a vote to remain, its influence inside the EU continues its apparent decline. If the UK decides to stay in the EU, the FCO should counteract this decline by launching an immediate and broad review into its handling of EU-UK relations, and its operations in Brussels. Building on the considerable volume of expert analysis that has been produced in advance of the referendum, the FCO could identify key weaknesses both in its own approach to the EU and in the EU’s external relations more broadly, and propose concrete solutions to those problems. In particular, it could address the ongoing under-representation of UK nationals in the EU institutions,⁷⁹ and could make a renewed commitment to driving an EU foreign policy that is more flexible, more effective, and more in line with British and global priorities. Conversely, complacency on the part of the Government and FCO could ensure that the immediate risks we have outlined here become much more severe and entrenched challenges for the UK in future, if it remains inside the EU.

77 Nick Witney, [EUM0010](#), para 30

78 Foreign Affairs Committee, Third Report of Session 2015–16, *The UK’s role in the war against ISIL following the Cessation of Hostilities in Syria in February 2016*, HC 683, para 26

79 Foreign Affairs Committee, Second Report of Session 2013–14, [The UK staff presence in the EU institutions](#), HC 219, para 11

4 Stay or go? The world in 2040

47. In a global political and strategic environment that is likely to become more multi-polar and fragmented over the next 20 to 30 years, there are both advantages and disadvantages to membership of a large political and economic bloc such as the EU. The balance, ultimately, will depend in part on events over which the UK and the EU may have little control, including global economic trends, the future trajectory of current “rising powers”, and political developments in the USA, Russia, China and elsewhere. Domestically, the extent to which the Government continues to prioritise spending on diplomacy, development and defence will also have a major impact on the UK's role in the world, regardless of whether it remains in the EU or leaves.

If the UK leaves the EU: a long-term-perspective

Foreign policy cooperation

48. Future UK governments are likely to continue co-operating closely with European allies outside the EU framework. Assuming that the UK's overarching foreign policy values would remain largely similar to those set out in the 2015 National Security Strategy, the UK and EU would continue to share many common interests including countering extremism, dealing with Russia and the Middle East, building good relations with rising powers, and strengthening the rules-based international order.⁸⁰ For this reason, as well as for trading purposes, the UK would retain a long-term interest in the stability and cohesion of the remaining EU, and might have to dedicate considerable diplomatic resources to maintaining strong relations with Brussels and other European capitals. It would have to exert influence from the outside; we heard from Canadian representatives how challenging this is, so substantial effort would be required to maximise our indirect influence. The Rt Hon Sir Malcolm Rifkind, who served as Defence Secretary from 1992–1995 and as Foreign Secretary from 1995–1997, told us:

The irony is, if we were not in the European Union, such are the common strategic interests between Britain and the rest of Europe that a lot of our foreign policy effort would have to be devoted to trying to influence the European Union, of which we were no longer a member. There is no geostrategic threat to France or Germany or continental Europe that would not also be a threat to Britain, as we found both in 1914 and in 1939. So we would be in the extraordinary situation of having given up the power to either control or influence policy, but seeking as outsiders nevertheless to influence it anyway, because the outcome would be very important to us.⁸¹

Defence and security

49. Since EU defence co-operation remains intergovernmental, withdrawal from the EU should arguably have a relatively minor impact on the UK's long-term defensive posture and capabilities. The UK would remain an important member of NATO, particularly if Britain maintains its commitment to the 2% spending target. The UK would also be able

⁸⁰ HM Government, *National Security Strategy and Strategic Defence and Security Review 2015*, [CM 9161](#), November 2015, pp 9–10

⁸¹ [Q287](#); see also Appendix 3

to maintain its bilateral defence co-operation with France, which is conducted on the basis of the 2010 Lancaster House Treaties rather than through the EU. If the UK wished to continue participating in some of the EU's CSDP missions, moreover, it would almost certainly be able to do so, either directly (as 25 non-EU countries have done), or through the crisis management co-operation measures the EU has in place with NATO, the UN and other international organisations.⁸²

Preserving the transatlantic alliance

50. Some submissions and witnesses argued that “Brexit” would have a negative long-term impact on US-UK relations in particular. Professor Wyn Rees of Nottingham University wrote that the UK's role as a “bridge” between the EU and US is crucial to Britain's stature in Washington. In his view, UK withdrawal from the EU would eventually result in a “diminution of Britain's influence on both sides of the Atlantic,” as “there would be no reason for US diplomatic efforts to work with EU states to be routed through London.”⁸³ Charles Grant of the Centre for European Reform told us:

What I hear when I go to Washington is people saying, “If you leave the EU, don't expect us to take you very seriously any more, because although, yes, you are a P5 country in the Commonwealth, you will not be part of the most influential, dominant power in Europe, which also is an influence in its neighbourhood.”⁸⁴

Similarly, Graham Avery, a former Commission official, told us that the Americans “would simply pay less attention” to the UK if it left the EU, adding: “They would fly direct to Berlin and Paris, and pass over London more often.”⁸⁵

51. President Obama and his Administration have made it clear that they would prefer the UK to remain inside the EU, where it is generally seen to promote Atlanticist policies (such as TTIP, which the UK has championed in part to bolster the political relationship between the US and EU⁸⁶).⁸⁷ If the UK can no longer act as a bridge between Brussels and Washington, it is realistic to assume that the US will seek to strengthen its bilateral relationships with EU allies, especially France and Germany. It is important, however, to avoid over-stating the extent of the UK's potential marginalisation in the transatlantic alliance if it leaves the EU. So long as the UK retains the largest defence budget in Europe and continues to meet both NATO's expenditure target and the UN's 0.7% target for development aid, it is likely to remain an important player in world affairs and a key strategic partner for the US. US effort would be focused on getting the EU into alignment with US policy, whilst the UK position would be assumed to be more closely aligned, so relatively less US effort would be invested in that relationship. If the EU cannot align with US policy, the UK position would become more important, giving credibility and multilateral cover for example for US military operations with deployable armed forces.

82 Dermot Hodson and Dr David Styan, [EUM0011](#), para 11; European External Action Service, “[CSDP Partnership](#)”, accessed 10 March 2016

83 Prof. Wyn Rees, [EUM0009](#), para 12

84 [Q22](#)

85 [Q54](#)

86 [Q128](#)

87 “[Exclusive: Obama wants the UK to remain part of the EU](#)”, BBC News, 23 July 2015; Stefan Wagstyl and George Parker, “[EU Referendum: US Secretary of State urges UK to stay](#)”, Financial Times, 13 February 2016

52. Inevitably, however, the effectiveness and cohesion of NATO as a whole would be affected by the trajectory of EU foreign and defence policy after a UK exit. There are multiple paths that the EU could follow. It is possible that the departure of one of the EU's two main military powers could damage the development of a common defence policy—which has in any event stalled in the last decade—particularly if UK withdrawal triggers instability that reduces the EU's overall effectiveness as a foreign policy actor. Charles Grant of the Centre for European Reform, for example, told us that the EU's common foreign policy would be “weaker” and its defence policy “a joke” without the UK.⁸⁸

53. However, there continues to be a strong lobby for the European Union to have a real defence dimension, including a common European army. This includes the stated preferences of the President of the European Commission as well as the governments of Germany and Spain.⁸⁹ The Treaty language recognises this as an aspiration, although a British veto exists. Britain remaining in the EU, committed to its current policy, prevents the creation of this active EU defence identity, opposing, for example, the establishment of joint EU military operational headquarters.⁹⁰ It is therefore possible that “Brexit” and the absence of this continuing British veto could free the EU to pursue a more cohesive and effective common defence policy around the resources they are prepared to devote to defence.⁹¹

54. Both outcomes contain risks for the NATO and, by extension, for the UK. With the US increasingly looking to its European partners to shoulder more of the burden for their own defence,⁹² a weak and divided EU might unsettle the NATO alliance.⁹³ Conversely, the EU could become more coherent and unified, but—in the absence of the UK—might do so in ways that threaten to decouple it from NATO, damaging the integrity of the transatlantic alliance.⁹⁴ Stephen Booth of Open Europe, for example, told us that he would be “very concerned” about the EU developing “a different view” from the UK and USA on issues such as relations with Russia.⁹⁵ Both of these scenarios pose significant risks that the UK would wish to prevent, but they also represent extreme ends of the probable spectrum of outcomes. Although the UK and its European partners might disagree in future on policy responses to particular issues—as they do today—the UK and EU are likely to retain many shared priorities including countering extremism, building good relations with rising powers, and strengthening the rules-based international order.⁹⁶

88 [Q44](#)

89 “*We need a European army, says Jean-Claude Juncker*”, BBC News, 9 March 2015; Sarah Spickernell, “*The Germans want an EU army, but Britain is against it*”, City A.M., 8 March 2015; “*UK, Central Europe frown at Juncker’s European army*”, EurActiv.com, 25 March 2015

90 [Q6](#)

91 [Q5](#); Dr Federica Bicchì, Dr Nicola Chelotti, Prof. Karen E. Smith and Dr Stephen Woolcock, [EUM0014](#), para 15

92 Prof. Wyn Rees, [EUM0009](#), para 14; Nick Witney, [EUM0010](#), para 23; Steven Erlanger, “*Shrinking Europe military spending stirs concern*”, The New York Times, 22 April 2013; David Blair, “*America, our great protector, is looking the other way*”, The Telegraph, 23 April 2013; Bruce Ackerman, “*Europe needs to provide for its own defence*”, Los Angeles Times, 6 September 2014; Jeffrey Goldberg, “*The Obama Doctrine*”, The Atlantic, April 2016

93 Daniel Keohane, “*The paradox of EU defence policy*”, European Geostrategy Vol. 8 No. 9, March 2016

94 Centre for European Reform, [EUM0023](#), para 25

95 [Qq45–46](#)

96 HM Government, *National Security Strategy and Strategic Defence and Security Review 2015*, [CM 9161](#), November 2015, pp 9–10

Counter-terrorism

55. The need to co-operate with European partners on counter-terrorism would undoubtedly continue even after leaving the EU, and we consider it likely that the UK and EU would find new mechanisms for this co-operation. Outside the EU, the UK would not be a member of Europol and would no longer be part of the European Arrest Warrant (EAW), which provides simplified and uniform EU-wide extradition arrangements.⁹⁷ Although there is some debate as to the merits of the EAW system for UK security, the UK would be able to replace it—albeit at some cost in terms of negotiating effort—either with a UK-EU bilateral extradition agreement, or with individual agreements between the UK and each of the Member States.⁹⁸ The “Five Eyes” network of the USA, UK, Canada, Australia and New Zealand, meanwhile, which provides the UK’s most important intelligence-sharing framework, does not involve the EU, and leaving it is unlikely to affect this relationship in the immediate future or in the long term.

Decline of the West and rise of the “rest”?

56. As a group of experts from the LSE noted in their evidence, so-called “rising powers” are increasingly questioning the current institutional structures of global governance, calling for reform to reflect “the changing distribution of power” in the international system.⁹⁹ This trend is likely to continue, increasing the pressure on European states—including the UK—to accept reforms that would better reflect the global distribution of power in the 21st century. The submission concluded that, outside the EU, the UK may in future find it increasingly difficult to make its voice heard in organisations such as the UN.¹⁰⁰ Similarly, Charles Grant of the Centre for European Reform told us that, in the context of growing calls for UN Security Council reform, the “moral pressure” on Britain to give up its permanent seat and veto would rise if it were no longer part of a major bloc like the EU.¹⁰¹ David Campbell-Bannerman MEP offered an opposing view, arguing that leaving the EU would preserve the UK’s role in international organisations, including on the UN Security Council, because the EU aims to “take over” Britain’s position and replace it with a single, unified EU seat.¹⁰² In either case, however, it should be noted that the UK retains the power to veto any proposed reforms that could threaten its role on the UNSC.

The UN Security Council veto

57. The UK has not used its veto alone since 1972.¹⁰³ Britain and France together representing both their own combined interests and the probable view of the whole of the European Union have had the weight to prevent resolutions being put to the UNSC that are not in their joint interests. If the UK were to leave the European Union, France could still claim this role and exercise more effective authority in the Security Council with the

97 “Q&A: European Arrest Warrant”, BBC News, 5 December 2014

98 Ian Bond, “The Brexit equation: EU minus UK = ?”, Centre for European Reform Bulletin, Issue 106, February/March 2016, pp 7–8

99 Dr Federica Bicchì, Dr Nicola Chelotti, Prof. Karen E. Smith and Dr Stephen Woolcock, [EUM0014](#), para 6

100 Dr Federica Bicchì, Dr Nicola Chelotti, Prof. Karen E. Smith and Dr Stephen Woolcock, [EUM0014](#), para 6

101 [Q37](#)

102 David Campbell-Bannerman MEP, [EUM0028](#), para 4

103 Dag Hammarskjöld Library Research Guides, “[Security Council—Veto List](#)”, United Nations, accessed 13 April 2016

potential of a French veto backed by the rest of the EU. This is a much more likely prospect than a British veto exercised on its own in the British interest, as a relatively small country exercising a veto in the teeth of global opposition would be seen as much less legitimate.

The Commonwealth

58. The UK has a unique connection to many nations through the Commonwealth, which some have suggested could be re-invigorated following a UK withdrawal from the EU.¹⁰⁴ Of the 53 nations in the Commonwealth, moreover, the vast majority are developing economies. Some of the evidence we received has cast doubt on the suitability of the Commonwealth as a potential framework for new trading relationships, given the political and economic differences between its members.¹⁰⁵ Updating and modernising the Commonwealth framework to engage in a more sustained way with these countries, however—using the full range of foreign policy instruments including diplomacy, trade and development aid—could make the UK more flexible and adaptable in a world where states such as India, South Africa and Nigeria are likely to become ever more important players. However, it is the bilateral relationships with these relatively rising powers, assisted by the historical and cultural links through the Commonwealth as a background, such as Canada, Australia and New Zealand, which should be developed by the UK as it pursues a definitively global role having left the EU.

The UK as a global trader

59. The UK's potential position in international trade 20 or 30 years down the line arguably depends, more than any other aspect of Britain's global role, on the specific arrangements that are negotiated between the UK and EU if the UK votes to leave, as well as on the evolution of global trading systems. The level of UK access to, and integration with, the single market will have a strong impact on the types of trade deals the UK can pursue with non-EU states, and on how independently the UK can act with respect to both tariffs and non-tariff barriers such as standards and regulations.

60. On the one hand, many witnesses and submissions argued that the UK would be less able to promote its interests and secure favourable terms on FTAs outside the EU.¹⁰⁶ As a major (the largest) market, representing 16.6% of world trade in goods and services and as the largest trading partner of about 80 countries, the EU has substantial leverage in trade negotiations. However, this is not an unqualified good, as the negotiating position is compromised around the interests of the individual EU Member States as well as the greater complexity of these negotiations and the time taken to negotiate them.

61. Asked if the UK could negotiate a more favourable trade deal with Canada than that obtained by the EU, for example, Baroness Ashton—who served as Trade Commissioner before her appointment as the first High Representative of the EU for Foreign Affairs and Security Policy—told us that trade deals were first and foremost about “commercial interest”. She said:

104 Kate Allen, “*Business groups up the ante in Brexit battle*”, Financial Times, 17 February 2016

105 Q7; Nick Witney, [EUM0010](#), paras 16–18

106 Q18; Q217; Q223; Dr Federica Bicchì, Dr Nicola Chelotti, Prof. Karen E. Smith and Dr Stephen Woolcock, [EUM0014](#), paras 13–14; Nick Witney, [EUM0010](#), paras 8–15; Confederation of British Industry, [EUM0018](#), paras 6–7

If the offer that you make is that you are going to represent half a billion people and the markets of 28 countries, arguably, what they are willing to give might be better. It does not mean every industry benefits all the time—there is no bilateral trade agreement in the world that can do that for everybody—but you can generally get a much better deal. [...] You could get a trade deal—lots of countries have trade deals—but would it be better? I would be surprised, because I think that, commercially, for them to want to enter into it, it has to be worth it. The EU is the biggest grouping that countries can enter into an agreement with, so they are very keen to do it.¹⁰⁷

Similarly, Dr Stephen Woolcock of the LSE told us:

Most trade agreements are based on reciprocal commitments between parties, meaning that your negotiating leverage in an agreement depends on the size of your market and how open your market is. So if you have a large market that is relatively closed, like China's, you have significant negotiating leverage. If you have a relatively small market, the UK is still an important economy, but it is very open, so that means you have very limited negotiating leverage.¹⁰⁸

62. Dr Woolcock also emphasised that, outside the EU, the UK might have less influence on the standards and regulations that constitute the major barriers to trade in today's low-tariff global environment, particularly in services. It would still, however, have to abide by those rules—increasingly set through major multilateral agreements, rather than at the WTO—to trade with the countries involved.¹⁰⁹ Citing the example of TTIP, he said:

For example, one of the core elements in TTIP is regulatory co-operation between the US and the EU. If the UK is not sitting at the table, part of the EU, in those negotiations about how you reconcile different domestic regulations, the UK will not have any influence on those. Okay, the UK can be a price taker but it will have to adopt the regulations that have been agreed between the EU and the US. It can still trade but it will not have any more influence on the outcome. It would have much more influence if it were within the EU.¹¹⁰

63. On the other hand, free to act on its own, the UK could be a more flexible and adaptable trader, potentially concluding FTAs more easily and quickly and with a more effective focus on sectors that matter most to Britain, such as financial services. The UK would be able to pursue its own trade negotiations whereas the EU's negotiating position inevitably involves compromises amongst the interests and positions of Member States. The ability, however, of the UK alone to get agreement from other states to open up their markets (when they may be reluctant to do so) may be reduced compared with the EU. Alternatively, the UK could choose to drop barriers to trade unilaterally, as Professor Patrick Minford of Cardiff University advocated in his evidence. He said:

...These trade agreements are totally irrelevant. They will not make any difference to anything. We do not need any trade agreements. We need to get out of a protectionist trade arrangement—namely, the EU customs union. Everyone says how wonderful it is to be in the EU but they forget that it is a highly

107 [Q255](#)

108 [Q116](#)

109 [Q130](#)

110 [Q120](#)

protectionist organisation, not just in agriculture, but also in manufacturing. It is infinitely preferable to be in the global market under conditions of free trade. That will give us huge gains. The trade issue, far from being a great negative in terms of leaving the EU, is a huge positive. People think that it is terribly negative because you cannot negotiate these trade agreements, but they have totally misunderstood the irrelevance of these trade agreements to our situation in the global market.¹¹¹

64. The UK outside the EU would face something of a trade-off between the weight that comes from being part of the world's largest single market and the flexibility that the UK could have if it acted alone. These considerations are finely balanced. As Stephen Booth, Co-Director of the Open Europe think tank, told us:

...The UK could survive and do well outside [the EU]. We published our research which suggested that the worst-case scenario outside the EU would be 2% GDP worse off and 1.6% better off, depending on the policies of the UK Government and the successor deal with the EU. That would also be important in the trading relationship with the EU, because it remains our biggest trade partner.

But I think the fact is that if the UK were outside, it would become more of a niche player and would have to trade on its strengths. That means that on trade agreements, we would be focused on a narrower set of issues than the EU would as a whole, which gives a greater nimbleness and flexibility, perhaps, but you would lose the collective weight. That is the trade-off that the UK would have to judge, and that has to be part of the equation. That is not to say that the UK could not make a success of it, because I think it could.¹¹²

He later added: "In some ways, it is hard to argue that the UK would have greater leverage, but on some specific issues, such as financial services, we might be able to be much more forceful, while the EU as a whole might be less so."¹¹³

A future outside the EU

65. The evidence we heard suggested that, on the one hand, leaving the EU could result in the UK becoming a "smaller" or less influential international player, especially in the context of increasing pressure from rising powers on the post-1945 global economic and governance frameworks. Yet on the other hand, we heard that what the UK might lose in collective weight, it could gain in flexibility and adaptability, becoming a more nimble power that focuses on pursuing its core interests and alliances. Given the number of variables to consider, it is impossible to determine with certainty what the eventual outcome will be. In either case, however, much will depend on the choices made by future Governments, and particularly on their willingness to commit sufficient political and economic resources to securing the UK's global position.

111 [Q101](#)

112 [Q15](#)

113 [Q18](#)

Remaining in the EU: potential long-term risks and opportunities

66. As recent events have made clear, the EU cannot remain static; its structures and institutions will need to evolve in order to cope with the challenges of the 21st century. With respect to the potential risks and benefits to the UK, much will depend on the extent to which the EU is able to resolve the migration and eurozone crises, the future direction of the EU's institutions and common policies, and the global competitiveness of its economy.

The borders of the EU?

67. Although further EU enlargement is not currently on the political agenda, 20 or 30 years in the future the EU could be a union of 33 countries or more, encompassing the states of the Western Balkans and, theoretically, Turkey.¹¹⁴ Eventually the EU may also be forced to define clearly the limits of its eastward expansion, as countries such as Ukraine may begin to seek closer and closer ties.

68. The UK has, historically, been among the “most enthusiastic” champions of EU enlargement.¹¹⁵ Charles Grant of the Centre for European Reform told us that enlargement has generally been perceived as a foreign policy success for the EU, insofar as it helped to re-integrate Central and Eastern Europe from the 1990s onwards, and has been an important lever for stabilisation in the Western Balkans:

Even some of my very Eurosceptic friends have admitted to me that the best thing that the EU has done is enlarge, spreading democracy, stability, peace and security across most of the continent. That was driven not only by the British but largely by the British and the Germans. I guess not everybody is very happy with the result; it may have been enlarged a bit too quickly in some places. Essentially that was a foreign policy achievement of the British.¹¹⁶

69. An EU of 33 or more states with such large economic and political disparities between them, however, may exacerbate existing fissures within the EU and further complicate its institutional arrangements. Without appropriate arrangements for controlling migration from new states, moreover—especially from Turkey, should it eventually join the EU—enlargement could put great strain on the resources of the existing Member States.¹¹⁷ The UK Government remains in principle supportive of Turkish accession to the EU, though the Minister for Europe, the Rt Hon. David Lidington MP, has said it has “a long way to go.”¹¹⁸ The Prime Minister told Parliament in March 2016 that Turkish accession is “not remotely on the cards... for many, many years to come.”¹¹⁹ Turkey's trajectory over the past decade, however, raises serious questions as to its suitability for accession, while

114 European Commission, “[Acceding and candidate countries](#)”, accessed 17 March 2016

115 [Q82](#)

116 [Q16](#)

117 At the European Council meeting at which the British renegotiations were agreed, 18–19 February 2016, [the Council concluded](#) (p. 24): “With regard to future enlargements of the European Union, it is noted that appropriate transitional measures concerning free movement of persons will be provided for in the relevant Acts of Accession to be agreed by all Member States, in accordance with the Treaties. In this context, the position expressed by the United Kingdom in favour of such transitional measures is noted.”

118 Oral Evidence taken before the House of Lords EU External Affairs Sub-Committee on 19 November 2015, Evidence Session No. 15, [Q183](#) [Lord Dubs]

119 HC Deb, 21 March 2016, [col 1253](#) [Commons Chamber]

recent developments demonstrate the deep flaws in the EU's current approach to Turkey.¹²⁰ As the House of Lords EU External Relations Sub-Committee recently concluded, the EU-Turkey relationship is in “strategic disarray”, and the EU needs to “revisit the whole EU-Turkey relationship on the basis of first principles.”¹²¹ If these tensions remain unresolved, its position as a candidate state and eventually a potential EU member poses major political and economic risks for the EU, and by extension for the UK.

Eurozone integration: potential challenges for the UK

70. Although the UK has a permanent opt-out from the common currency, the stability and performance of the eurozone nevertheless has a major impact on the UK economy. If the UK remains in the EU, it has an especially strong interest in resolving the eurozone crisis and ensuring that the currency union is able to weather future global economic storms more effectively than in recent years. Professor Iain Begg of the LSE told us that the process of stabilising and reinforcing the eurozone has come a long way, likening it to “a jigsaw puzzle that is 80% complete,” while Dr Angus Armstrong of the National Institute of Economic and Social Research said that proposals for the future of the eurozone—most recently set out in the so-called “Five Presidents’ Report”—were “radical” and went “as far as any economist could have expected” towards securing the common currency’s future.¹²² The report proposed steps towards economic, financial and political union for eurozone members, with increased coordination of economic policies, a euro-area wide fiscal stabilisation function and eventually a euro-area treasury which would take some decisions on taxation and allocation of budgetary expenditures.¹²³

71. Asked what the eurozone would look like in 20 years’ time, Dr Armstrong’s vision was of:

A much smaller currency enjoyed by far fewer countries, or a currency area that has all the institutions that you would expect of a successful monetary union. I do not think that there is a middle way position over a 20-year period—it is not a stable equilibrium. Either there has to be a full institutional framework to support a monetary union, or there will not be the number of countries in the euro that there are today.¹²⁴

Dr Scott James of King’s College London largely agreed with Dr Armstrong’s assessment, adding:

If you look back to where the eurozone was 20 years ago, the basic contours of where we are now was more or less there, so I would say that 20 years from now you will be looking at the “Five Presidents’ Report” fully implemented, perhaps a bit more of a centralised fiscal capacity, but probably not more, and perhaps another three or four members of the eurozone.¹²⁵

¹²⁰ Foreign Affairs Committee, Third Report of Session 2015–16, *The UK’s role in the war against ISIL following the Cessation of Hostilities in Syria in February 2016*, HC 683, para 26

¹²¹ House of Lords, Europe in the world: Towards a more effective EU foreign and security strategy, Eighth Report of the European Union Committee, Session 2015–16, [HL Paper 97](#), para 119

¹²² [Q160](#)

¹²³ Jean-Claude Juncker, Donald Tusk, Jeroen Dijsselbloem, Mario Draghi and Martin Schulz, “[Completing Europe’s Economic and Monetary Union](#)”, Report to the European Commission, June 2015

¹²⁴ [Q165](#)

¹²⁵ [Q166](#)

Both Dr James and Professor Begg also emphasised that the eurozone would probably continue to expand in future, leaving the UK part of an ever-smaller minority of non-euro states inside the EU.¹²⁶

72. This poses somewhat of a paradox for the UK inside the EU. On the one hand, an effective, high-performing and sustainable eurozone would be likely to benefit the UK economically. On the other hand, the reforms proposed for the euro area, including more economic, financial and fiscal co-ordination would, if implemented, represent a substantial deepening of integration between those states.¹²⁷ This has led to concerns that the UK could be left on the outside of an ever-tighter decision-making majority, which, by voting as a bloc, could introduce measures that threaten UK interests in the single market.¹²⁸ The Rt Hon Gisela Stuart MP, for example, told us:

The Five Presidents' Report, which charts out the plan for the next 15 years and the deeper integration requirements, says in the introduction that those countries that are not yet members of the euro are invited to join. There is no recognition that there will be, for the foreseeable future, a number of countries that are neither part of Schengen nor part of the euro. It's a matter of simple arithmetic: if you are one versus 27, however much you wish to engage, at some stage you are just left behind.¹²⁹

73. For this reason, as part of its renegotiation package, the Government secured agreement on principles to prevent non-eurozone states being discriminated against (enforceable by the ECJ and by UK domestic courts), and on a mechanism for any one non-euro state to request further discussion on proposed measures that might contravene the principles.¹³⁰ This new mechanism, however, relates only to "legislative acts relating to the effective management of the banking union and of the consequences of further integration of the euro area."¹³¹ It could not therefore be assumed that the UK would be able to trigger debate on other policy issues, such as trade, on which the eurozone states may eventually begin to converge.

74. Witnesses told us that eurozone countries might indeed begin to club together on matters relating to the economic governance of the eurozone itself, and potentially on financial regulation.¹³² Professor Begg, for example, said that the deepening and broadening of the eurozone posed a "tension" for the UK which, he added, would be "very difficult to resolve".¹³³ However, in general witnesses were more cautious about the prospect of euro area states converging on all or even most political matters, and referred to a continuing degree of diversity of economic and political interest amongst the countries of the eurozone. Professor Begg said:

¹²⁶ [Qq140, 142](#). Currently 19 EU Member States use the euro. Denmark and the UK have opt-outs from joining. All 7 other Member States are committed to joining when they meet the conditions for entry and give political consent; current candidates for accession are expected to make the same commitments.

¹²⁷ Jean-Claude Juncker, Donald Tusk, Jeroen Dijsselbloem, Mario Draghi and Martin Schulz, "[Completing Europe's Economic and Monetary Union](#)", Report to the European Commission, June 2015

¹²⁸ Charles Grant, "[Could eurozone integration damage the single market?](#)" Centre for European Reform Bulletin, August/September 2015, p 4

¹²⁹ [Q314](#)

¹³⁰ Stephen Booth, "[What did the UK achieve in its EU renegotiation?](#)" Open Europe, 21 February 2016

¹³¹ European Council — Conclusions, [EUCO 1/16](#), 19 February 2016, Annex II, p 26

¹³² [Qq171–172](#)

¹³³ [Q182](#)

There are some aspects of economic governance where you can expect more of a division, but key political issues could include, “What do you do about Syria?”, where we are more likely to find common cause with the French than we are with the Austrians.¹³⁴

Dr James agreed, adding that “on broader political issues, there is very little evidence of consensus or a shared viewpoint across the eurozone.”¹³⁵ Later, he emphasised “the importance of getting away from the idea that at any point in the foreseeable future this is going to be a coherent economic or political union.”¹³⁶ Similarly, Dr Armstrong said: “Apart from financial regulation [...] I am not quite sure I see why it necessarily follows that because you have a single currency area, the political decisions are somehow biased in favour of that currency or currency area.”¹³⁷ This view was also expressed in evidence given to the Treasury Select Committee by Dr Robin Niblett, director of Chatham House.¹³⁸

75. Although the witnesses did not see a current trend towards eurozone caucusing, and the EU’s budget will continue to require unanimous agreement, it nevertheless remains a long-term possibility that carries risks for the UK if it chooses to stay in the EU. These risks are deeper and more complex than the prospect of the UK simply being out-voted in the Council of Ministers, where in any event most business is done by consensus.¹³⁹ With the institutional changes that will be necessary to implement tighter integration of the eurozone, more and more of the daily business of EU governance could eventually spill over into forums where the UK is not present. In addition to the numerical disadvantage it might face in the Council, therefore, the UK could find itself reacting to positions that have already been discussed and agreed informally amongst the euro area states, rather than setting the EU’s agenda. In this way, even if the most severe predictions of eurozone caucusing do not come to pass, the UK could find itself facing a steady, *de facto* decline in its relative influence inside the EU.

76. On the other hand, the UK outside the EU would forgo opportunities to participate in EU policies which could advance UK interests, such as the proposed liberalisation of capital markets. Whilst leaving would bring regulatory flexibility, it risks eurozone countries implementing policies inadvertently or deliberately against UK interests, without the UK being able to rely on the formal protections of the single market or even an appeal to “Community solidarity”.

A future inside the EU

77. In a volatile and multi-polar world, membership of a secure, globally-engaged and democratic EU could benefit the UK well into the future. Yet the EU is currently beset by crises. If these crises go unresolved, the EU could face ever-decreasing relevance on the world stage, with concomitant damage to the UK and all other Member States. If the UK chooses to remain, it will need to play a leading role in ensuring that the EU survives its current crises and faces up to the need to remain competitive and outward-looking with a relevant institutional framework and appropriate democratic oversight.

134 [Q171](#)

135 [Q171](#)

136 [Q184](#)

137 [Q173](#)

138 Oral Evidence taken before the Treasury Select Committee on 3 November 2015, HC (2015–16) 499, [Qq133–134](#) [Mr Garnier]

139 *Voting Behaviour in the EU Council*, [Standard Note SN/IA/6646](#), House of Commons Library, May 2013

5 Conclusion

78. The referendum on membership of the EU offers the UK a once-in-a-generation opportunity to assess critically its role in the world today, and to decide what kind of foreign policy actor it seeks to become in future. Inevitably, given the number and complexity of variables involved, predictions about the long-term impact of remaining or withdrawing from the EU must involve a degree of informed guesswork. Based on the evidence we gathered and on current regional and global trends, we have attempted to identify and outline the key potential risks and opportunities associated with both remaining and leaving. Our analysis aims to assist voters to reach a decision. This decision will be informed by the weight and probability they give to those risks and opportunities. Collectively, as a Committee, we do not agree on the decision and therefore do not endorse either a “remain” or a “leave” vote. Whatever the outcome, there will be a clearer path for the United Kingdom to follow.

Appendix 1 Inquiry terms of reference

The following terms of reference for the inquiry were announced on 27 July 2015:

Although foreign policy remains primarily a matter for national governments in the European Union, leaving the EU could have significant implications for the UK's alliances and strategic partnerships, standing in other international organisations, soft power and national security.

To inform public debate in advance of the upcoming referendum on EU membership, the Foreign Affairs Committee will carry out an inquiry into the costs and benefits of EU membership for the UK's foreign policy. The inquiry will consider whether and in what ways EU membership helps or hinders the UK in achieving its foreign policy goals, and how the UK's role on the global stage might change if it votes to leave the EU. The Committee would welcome submissions of evidence which addressed in particular:

- Whether and how EU collective action helps or hinders the UK in achieving its key foreign policy objectives and/or adds value to UK foreign policy
- Whether the EU's priorities for its common foreign policy align or conflict with the UK's foreign policy goals, and how influential the FCO and UK Government are in directing EU common action
- How the UK's standing in multilateral organisations (e.g. the UN, NATO, OSCE and WTO) might change if it were to leave the EU
- The impact, if any, that leaving the EU would have on the UK's foreign relations including, but not limited to, the transatlantic relationship, the Commonwealth, and relations with the BRIC countries
- The extent to which the UK could continue to participate in EU collective action on an ad-hoc basis if it left the EU, and the benefits and drawbacks of such an approach
- The international legal implications of a UK exit from the EU, including the scope and cost of renegotiating the international treaties to which the UK is a signatory as an EU member state (including the likelihood of securing favourable terms in such negotiations)
- The foreign policy implications of any changes to trade treaties resulting from a UK withdrawal from the EU
- The impact on other EU states and EU institutions of UK withdrawal from the EU
- The implications of leaving the EU for the Union (that is, the United Kingdom of Great Britain and Northern Ireland) and their foreign policy consequences

Appendix 2 Written submissions from Vote Leave and Britain Stronger in Europe

Vote Leave

Does EU collective action help or hinder the UK in achieving its key foreign policy objectives and/or adds value to UK foreign policy?

EU collective action only adds value insofar as the UK agrees with the action that is being taken. In order to judge how effectively EU collective action benefits the UK, one must therefore first ascertain the UK's ability to block any EU action that it disagrees with.

The UK's representation in the institutions of the EU has declined drastically over its 43 years of membership. We now have very little influence in the EU's decision making process. Every time the UK has voted against a measure in the Council of Ministers it has been outvoted. This is happening with increased frequency: of the UK's 72 defeats, over half (40) have occurred in the last five years (Vote Leave, October 2015¹). This reflects the UK's increased marginalisation within the EU as it is forced to accept rules that the Eurozone caucus (which has an inbuilt majority) wants. It now doesn't matter which way the UK votes— it is the Eurozone states that decide which laws are introduced in the UK.

The UK's representatives are often outvoted in the European Parliament as well. The majority of UK MEPs voted against 576 EU proposals between 2009 and 2014, but 485 still passed (Business for Britain, September 2014²). In addition, the UK has been defeated in over 77% of cases in which it has been a party in the European Court (Vote Leave, March 2016³). Since the current Government entered office in May 2010, the UK has been defeated on 16 occasions: a failure rate of 80%.

It is for those who want Britain to remain in an unreformed EU to provide similarly convincing quantitative evidence of Britain's influence and not just rely on anecdotal accounts.

The 'common foreign and security policy' is an area where unanimity is, in theory, required in the Council of Ministers. In practice the EU's definition of what constitutes 'foreign policy' is nebulous and ever-shifting. It is for the Court of Justice to determine what constitutes foreign policy (see article 40 of the Treaty on European Union). Many aspects of foreign affairs, such as trade and development policy and the conclusion of international agreements relating to the subject matter of an EU competence, fall outside the EU's very narrow definition of 'foreign policy'. This means that they are subject to qualified majority voting and the jurisdiction of the European Court. It would, therefore, be a mistake to claim that the UK has influence over EU foreign policy.

Crucially, Britain's supposed opt-out from the Charter of Fundamental Rights has proved to be a mirage. Our own Supreme Court and the ECJ have made clear we have no opt-out. The ECJ can therefore use the Charter to take control of issues concerning foreign and

1 http://www.voteleavetakecontrol.org/uk_lack_of_influence_in_the_eu_costs_taxpayer_billions

2 <http://forbritain.org/MEPs%20votes.pdf>

3 http://www.voteleavetakecontrol.org/revealed_uk_loses_over_three_quarters_of_all_cases_in_the_ecj

defence policy. For example, the ECJ has recently used the Charter to exert its control over how our intelligence services monitor suspected terrorists and to stop us deporting security threats (*BBC News*, July 2014⁴).

EU institutions have also repeatedly attacked Britain's intelligence sharing agreements with other countries ('Five Eyes') which have been at the heart of security policy since 1945. The combination of the Charter and ECJ means that the EU could systematically undermine these vital agreements which could be extremely damaging for foreign, defence, and security policy.

Does the EU's priorities for its common foreign policy align or conflict with the UK's foreign policy goals, and how influential are the FCO and UK Government in directing EU common action?

See above.

How might the UK's standing in multilateral organisations (e.g. the UN, NATO, OSCE and WTO) change if it were to leave the EU?

In 1971, the European Court ruled that the Treaties conferred on the EU the capacity to conclude international agreements by implication in fields where the EU has legislative competence. This was a very significant extension of the EU's power over the UK's foreign policy. In 1975, the European Court declared that the EU had exclusive competence over an OECD agreement on export credits, ruling that member states could not 'ensure that their own interests were separately satisfied in external relations, at the risk of compromising the effective defence of the common interests of the Community' (*Opinion 1/75* [1975] ECR 1355⁵).

In 1993, it ruled that even where an international agreement excluded the EU from participating, the EU's 'external competence may, if necessary, be exercised through the medium of the Member States acting jointly in the Community's interest' and that there was a 'requirement of unity in the international representation of the Community' (*Opinion 2/91* [1993] ECR I-1061⁶).

Today, the EU Treaties give the Council, on a proposal from the Commission, the power to 'adopt a decision... establishing the positions to be adopted on the Union's behalf in a body set up by an agreement, when that body is called upon to adopt acts having legal effects' (TFEU, art. 218(9)⁷). The scope of this provision was initially unclear. In an October 2014 decision, the European Court ruled, contrary to the UK's submissions, that this means the EU may require the UK to adopt a common EU position in an international organisation of which the EU is not a member, provided that the subject matter of the decision relates to an EU legislative competence. As a result, member states were required to adopt a common EU position in the International Organisation of Vine and Wine (*Germany v Parliament & Council*, Case C-399/12⁸).

4 <http://www.bbc.co.uk/news/uk-politics-28237111>

5 <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A61975CV0001>

6 <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A61991CV0002>

7 <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1458031617407&uri=CELEX:12012E218>

8 <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:62012CJ0399>

If we Vote Leave we end this damaging situation. The UK will become a more influential voice for free trade and friendly cooperation by regaining our seat and/or independent voice on the international organisations where the UK has been forced to defer to a common EU line.

When the EU accedes to an international agreement, the UK is silenced if its subject matter relates to an exclusive EU competence. For example, in the the International Commission for the Conservation of Atlantic Tunas, the UK has a seat, but only in respect of its overseas territories outside the EU (ICCAT, 2016⁹). The EU represents the UK in all other respects.

The EU is planning to take the UK's seat in more international organisations. This can only be stopped by voting to leave the EU. The Chamber of Shipping has condemned the Commission's attempts to supersede the UK's voice in the International Maritime Organization. It has stated that 'Commission involvement in IMO work items can often be unwelcome given the obligation on Member States to internally coordinate positions along EU lines' (Chamber of Shipping, November 2015¹⁰). The Commission has said: 'the gradual development of a more co-ordinated EU external aviation policy is the logical consequence of the EU internal market' in respect of the International Civil Aviation Organization (European Commission, 16 December 2015¹¹).

Of greater interest is the EU's attempts to silence the UK in the International Monetary Fund (IMF). The Five Presidents' Report called for common EU representation 'in the international financial institutions', stating that the EU's 'fragmented voice means the EU is punching below its political and economic weight'. It singled out the IMF as one such example (European Commission, June 2015¹²). In October 2015, the Commission proposed a Council Decision to establish unified representation of the euro area in the IMF. The draft Decision, on which the UK will not have a vote, states that:

- '*Close cooperation with non-euro area Member States shall be organised within the Council and the [Economic and Financial Committee], on matters related to the IMF. Common positions shall be coordinated on matters relevant for the European Union as a whole*' (European Commission, 21 October 2015¹³).

Since the EU has legislative competence over financial services, it is highly likely that the European Court will permit the EU to force the UK to adopt a common EU position in the IMF in the near future. The European Parliament recently endorsed a report calling for the abolition of the UK's permanent seat on the UN Security Council (European Parliament, 2015¹⁴). The UK's international influence will continue to decline in the event of a vote to remain.

What impact, if any, would leaving the EU have on the UK's foreign relations including, but not limited to, the transatlantic relationship, the Commonwealth, and relations with the BRIC countries?

9 <https://www.iccat.int/en/contracting.htm>

10 https://www.ukchamberofshipping.com/documents/58/Maritime_Nation_-_UK_Shipping_and_the_EU_Full_Doc.pdf

11 http://ec.europa.eu/transport/modes/air/international_aviation/european_community_icao/

12 http://ec.europa.eu/priorities/economic-monetary-union/docs/5-presidents-report_en.pdf

13 http://ec.europa.eu/priorities/economic-monetary-union/docs/single-market-strategy/proposal-external-representation_en.pdf

14 <http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A8-2015-0308&language=ga>

As there would be no prospect of the UK losing its seat in the UN Security Council, or its independent voice in the IMF, it will remain an important force for friendly cooperation on the global scene, and an important ally of both the United States and other countries around the world. The UK, no longer facing the threat of losing its place at the 'top table', would continue to be a voice for friendly cooperation, peaceful coexistence and free trade.

It should be noted that being a member of the EU has undermined the UK's relationship with other countries in security matters. The US Attorney General, Loretta Lynch, has warned that it is 'highly concerning' that the EU is undermining the sharing of information vital in the fight against serious crime and terrorism (*Reuters*, December 2015¹⁵). The former CIA Director, General Michael Hayden, has said that the EU 'gets in the way' (*BBC News*, March 2016¹⁶).

These problems are likely to only get worse if Britain votes to remain, as the EU has made clear that it wants significantly more power in this area. On 20 November 2015, the European Commissioner for Migration, Home Affairs and Citizenship, Dimitris Avramopoulos, stated that he supported the 'creation of a European Intelligence Agency' (November 2015¹⁷). The leader of the liberal ALDE group in the European Parliament, Guy Verhofstadt, has also voiced his support for this proposal (*EurActiv*, November 2015¹⁸) and the Belgian Prime Minister, Charles Michel, has argued that 'we must quickly put in place a European intelligence agency, a European CIA' (*Yahoo News*, November 2015¹⁹).

Outside the EU there would be no risk of these crucial relationships being undermined. Furthermore, the former head of MI6, Sir Richard Dearlove has said that a vote to leave the EU would not 'damage our defence and intelligence relationship with the United States, which outweighs anything European by many factors of 10... The replacement of Trident, the access to overhead satellite monitoring capabilities, the defence exchanges that are hidden from public view, the UK-US co-operation over signals intelligence, the Central Intelligence Agency/Secret Intelligence Service/Federal Bureau of Investigation/MI5 liaison and much more would continue as before' (*Prospect*, April 2016²⁰).

Sir Richard also wrote that Brexit could improve security in two fields at least— removing human rights protections for terrorists and improving control over immigration.

To what extent could the UK continue to participate in EU collective action on an ad-hoc basis if it left the EU, and what are the benefits and drawbacks of such an approach?

The UK could continue to participate with EU foreign policy on an ad-hoc basis if it considered it was in its national interests to do so. The EU works in conjunction with a number of countries—article 8 of the Treaty on European Union states that 'the Union shall develop a special relationship with neighbouring countries, aiming to establish an area of prosperity and good neighbourliness, founded on the values of the Union and characterised by close and peaceful relations based on cooperation.'

15 <http://www.reuters.com/article/us-usa-security-europe-idUSKBN0TS0UV20151209>

16 <http://www.bbc.co.uk/news/uk-politics-eu-referendum-35898255>

17 <http://avramopoulos.gr/en/content/doorstep-commissioner-avramopoulos-extraordinary-justice-and-home-affairs-council-20112015>

18 <http://www.euractiv.com/sections/justice-home-affairs/verhofstadt-calls-creation-eu-intelligence-agency-319630>

19 <http://news.yahoo.com/belgium-calls-european-cia-paris-attacks-184610507.html>

20 <http://www.prospectmagazine.co.uk/opinions/brexit-would-not-damage-uk-security>

We will use our freedom from EU law and our strengthened international voice to promote more effective and faster international cooperation often at a global level. European cooperation will continue in fields where it already exists such as air travel, sanitary controls, disease, and counterterrorism.

We must go much further, particularly to deal with rapidly accelerating technological revolutions such as genetic engineering and machine intelligence. The EU is clearly unable to cope and there is widespread recognition of the need for new global economic and security institutions to deal with humanity's biggest problems. We need institutions that are much faster to adapt to accelerating changes.

What are the international legal implications of a UK exit from the EU, including the scope and cost of renegotiating the international treaties to which the UK is a signatory as an EU member state (including the likelihood of securing favourable terms in such negotiations)?

It will be in the interests of third countries to maintain existing agreements as the Executive Director of the Britain Stronger in Europe (BSE) campaign, Mr Will Straw, has admitted (Evidence to the Treasury Committee, 2 March 2016²¹). If the UK makes clear it wants existing agreements to be maintained on current terms, there is little reason to think any third country with which the EU currently has a free trade agreement would disagree. The UK is, after all, the fifth largest economy in the world (World Bank, 2014²²)— there is no reason why third countries would want to cut off access to this.

Foreign leaders have increasingly made clear that third country trade agreements could continue in force. The Prime Minister of New Zealand, John Key, has said: 'we would want to preserve both our existing position with Great Britain and continue to grow that relationship. We would need to find a way through that. The reality is there are a number of mechanisms where that would be possible' (*Daily Telegraph*, 29 October 2015²³). The Prime Minister of Iceland, Sigmundur Gunnlaugsson, has said that: 'The UK is one of our most important trading partners and whatever you decide to do we would like to have a free trade deal with you, whether through the EEA or independently' (*Daily Telegraph*, 9 March 2016²⁴).

Even the European Commission has admitted that it would be in the EU's interests for third country trade agreements to continue to apply to the UK in the event of a leave vote. Ahead of Greenland's withdrawal from the then European Economic Community, the Commission stated that if third country trade agreements ceased to apply to Greenland on its withdrawal, it was an open 'question whether the Community would have to negotiate with its partners compensation for the rights and benefits which those countries would lose as a result of the "shrinking" of the Community' (European Commission, 2 February 1983²⁵). This strongly implies that the EU might have to compensate countries like South Korea or Mexico if the UK left the EU and third country trade agreements ceased to apply to the UK.

21 <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/treasury-committee/the-economic-and-financial-costs-and-benefits-of-uks-eu-membership/oral/30171.pdf#page=22>

22 http://data.worldbank.org/indicator/NY.GDP.MKTP.CD?order=wbapi_data_value_2014+wbapi_data_value+wbapi_data_value-last&sort=desc

23 <http://www.telegraph.co.uk/news/worldnews/europe/eu/11962277/Major-blow-for-Brexit-campaign-as-US-rules-out-UK-only-trade-deal.html>

24 <http://www.telegraph.co.uk/business/2016/03/09/uk-wields-no-influence-in-german-dominated-eu-warns-iceland/>

25 <http://aei.pitt.edu/5173/1/5173.pdf>

Third country trade agreements currently applicable to the UK would not come to an end as soon as we Vote Leave. The European Union Referendum Act 2015 creates a consultative referendum. A vote to leave will, in and of itself, have no legal consequences for the continued applicability of third country trade agreements. The best way to give effect to the result of the referendum will be a matter for the British Parliament and Government to decide (whether by way of article 50 of the Treaty on European Union or by other means). There is no fixed timescale.

The UK will, however, be able to begin negotiations to maintain existing third country agreements and make new trade agreements immediately after we Vote Leave. The Government has claimed that: 'While these [EU withdrawal] negotiations continued, we would be constrained in our ability to negotiate and conclude new trade agreements with countries outside the EU' (HM Government, February 2016²⁶). This is highly misleading. While the UK's new trade agreements could not *enter into force* until after it left the EU, there would be nothing to stop it immediately after a vote to leave beginning negotiations to enter into trade agreements to come into force *after the UK left*.

It should be noted that there are 1,720 civil servants in Whitehall who specialise in trade policy who could be deployed during this period to ensure a smooth transition (Business for Britain, 2015²⁷). The UK will have the capacity to begin negotiations immediately.

What are the foreign policy implications of any changes to trade treaties resulting from a UK withdrawal from the EU?

See above.

What would the impact be on other EU states and EU institutions of UK withdrawal from the EU?

The EU is suffering a combination of crises: an economic crisis, an immigration crisis, a democratic crisis, and an institutional crisis. The euro and its dysfunctional institutions are making the economic crisis worse. The Eurozone is trapped between continuing with a system that everyone can see is economically unsustainable in the medium-term and taking another leap forward with even greater centralisation which is democratically unsustainable. The Five Presidents Report makes clear that the Commission wants to pursue the latter in accordance with the long-term Monnet-Delors vision of the EU as a highly centralised quasi-state.

This trajectory is very dangerous. Britain voting 'leave' will not only be better for Britain but will also be good for Europe. Britain's unique system of 'equal under the law' and open democratic government will be preserved—an example that Europe desperately needs to be preserved given its history. Further, a 'leave' vote will require all Europe to consider how we build the overall system we need over the next decade—a *system in which all countries, in or out of the euro and EU, can trade and cooperate in a friendly way*. Europe and the world need more international cooperation, not less. The problem with the EU is not that it promotes international cooperation but that it is so bad at it.

26 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/503908/54538_EU_Series_No2_Accessible.pdf

27 <http://forbritain.org/cogchapter2.pdf#page=43>

A great advantage of a 'leave' vote is it gives Britain wider options. It is the best move regardless of how the EU responds. If the EU institutions and other member states refuse to face reality and accept the need for changes in the European architecture, we will obviously have done the right thing. If voting to leave forces them to face reality and accept sensible changes, we will not only have helped Britain but we will also have helped Europe avoid continued decline.

What would be the implications of leaving the EU be for the Union (that is, the United Kingdom of Great Britain and Northern Ireland) and their foreign policy consequences?

The referendum on 23 June is on the question of the United Kingdom's membership of the unreformed European Union and nothing else. It is not a vote on the future of the UK. Vote Leave has no corporate position on whether Scotland, Wales or Northern Ireland remain a part of the UK.

If we Vote Leave, the Acts of Union of 1707 and 1800 will continue in force. Leaving the EU will mean a substantial increase in the powers of the devolved Parliaments and Assemblies. For example, EU competences over agriculture and fisheries would, in the most part, be vested in the devolved legislatures automatically after the repeal of the European Communities Act 1972. This will meet, in part, the demand throughout the UK for further devolution of powers.

It is also questionable that any part of the UK would vote to leave the UK in order to join the EU. In principle, such a candidate country would be obliged to join the euro and the Schengen Area, and would forfeit what it is left of the UK's rebate-grant. This would require substantial cuts in public expenditure and the acceptance of the Eurozone's austerity programme. We consider it highly unlikely that any part of the UK would decide to leave the UK in order to join the unreformed EU.

Britain Stronger in Europe

Britain Stronger in Europe (BSiE) is the leading cross-party organisation campaigning for a 'Remain' result in the UK's June 2016 EU membership referendum. BSiE was formally launched in October 2015 and is registered with the Electoral Commission as a permitted participant for the referendum. BSiE has dedicated campaign organisations in Scotland, Wales, Northern Ireland and Gibraltar, over 50 university-based student organisations, and 227 MPs, peers, MEPs, members of the devolved assemblies and local council leaders acting as its 'political champions'. BSiE's Chairman is Lord Rose of Monewden and its Executive Director is Will Straw.

BSiE has applied to the Electoral Commission for designation as the lead campaigner on the 'Remain' side of the referendum campaign, under the European Union Referendum Act 2015. When this submission was prepared (early April 2016), the Electoral Commission's designation decision was awaited. BSiE's application for the designation is supported by Conservatives In and the Conservative Group for Europe, the Labour Party, the Liberal Democrat Party, the Green Party in Northern Ireland, Plaid Cymru, the Alliance Party and the Social Democratic and Labour Party, as well as The European Movement, London First, Friends of the Earth, Scientists for EU, the National Association of Women's Organisations, Universities UK, Community the Union, Environmentalists for EU, Henna Foundation, City Sikhs and the National Union of Students.

This submission comprises a general argument about the risks of being outside the EU and the benefits of being in, followed by evidence on some specific areas of UK foreign policy.

Summary

- Being in the EU makes the UK stronger, safer and more influential around the world. The benefits of being in outweigh any costs.
- The EU is an important actor in international affairs. The UK has a foreign policy interest in the EU's international action. This will remain the case if we leave. Outside the EU, the UK would continue to need to cooperate with the same EU countries and institutions on the same foreign policy issues.
- As a member, the UK can influence EU international action in its own interest. This makes the UK a stronger partner for other countries and organisations around the world. The principal foreign policy effect of a UK withdrawal from the EU would be to strip it of its vote when the EU makes its international policy and, as a consequence, weaken the UK's influence with other international allies and within other multinational bodies. This would risk making the UK weaker, less prosperous and less safe.

EU membership and UK foreign policy

The risks of being out

Membership of the EU has been a cornerstone of the UK's international relations for over 40 years—two-thirds of the period since WW2. Over that time, working through the EU has become embedded in UK foreign policy and foreign policy-making. Leaving would be a dramatic shift in UK foreign policy.

The EU matters in international affairs for several reasons:

- Its weight as an economic bloc. This makes the EU central to international trade and regulatory issues, climate change action and the application of economic sanctions.
- The degree of its economic integration through the Single Market. This adds to the leverage it can enjoy over third countries through offering market access.
- Its attractive power to less developed and politically weaker neighbouring states through the promise of political support, financial and technical assistance, participation in cooperation programmes, and in some cases potential membership.
- The scale of its development assistance.
- Its ability to deploy the full range of foreign policy instruments, including development assistance, trade privileges, sanctions, political support and cooperation, and military force.
- Its status representing a large number of relatively rich liberal democracies.
- The range of policy areas in which it is engaged.
- Its status as a standing institutional framework, and the density of the contacts it involves among its members. This encourages familiarity, and constructive deal-making, among the EU states.

A UK exit would change the EU (see below). However, the EU would remain a major factor in any post-withdrawal UK foreign policy.

a) Influencing the EU after withdrawal

Managing relations with, and influencing developments in, continental Europe and Ireland have always been central issues for the foreign policy of the UK and its predecessor states. EU membership has helped to resolve these issues, providing a broad and enduring institutional framework for peacefully pursuing national interests, managing differences and exerting influence. If the UK left the EU, and whatever format were adopted for UK-EU relations, its interests would continue to be affected by developments in continental Europe. It would continue to have a foreign policy interest in influencing developments there. Outside the EU, the UK would continue to engage with continental European countries in other bodies, such as NATO, the Council of Europe and the Organisation for Security and Cooperation in Europe (OSCE). However, the policy scope, legal reach and density of contacts involved in the EU make it the main framework in which continental European countries now manage their affairs. Outside it, the UK would be likely to find managing relations with, and exerting influence over, continental Europe and Ireland again becoming a greater foreign policy challenge.

The UK's economic, security and diplomatic interests beyond the EU, and the importance of the EU internationally, mean that the UK would continue to have a stake in the nature of the EU's external action if it left. These UK interests are dictated by the internationalised nature of the UK economy and population, the size and dispersion of the British expatriate and tourist populations, the UK's responsibilities towards its Overseas Territories, and the UK's positions in international bodies including the Commonwealth and the UN Security

Council. As a non-EU state, the UK would have an interest in EU action around the world being congruent with its own policies. UK international interests would be damaged, and the UK potentially made less safe, if EU policies around the world were ineffective or counter-productive. Outside the EU, influencing EU external action would become a central UK foreign policy task.

Many of the foreign policy and security risks facing the UK can only be tackled effectively through joint international action. Such risks include Russian aggression, international terrorism, climate change and cross-border organised crime, including people-, arms- and drugs-smuggling. Whether the UK is in the EU or outside, EU states are its most likely and most necessary partners in taking such action, because of geographical proximity, economic integration and shared principles. Outside the EU, the UK would still need to win EU cooperation in tackling foreign policy and security risks effectively.

Even as a member state, the UK can find itself competing with other EU countries for inward investment projects, foreign procurement or trade orders or to provide development or governance assistance overseas. If the UK were outside the EU, there would be greater risk that the EU would shape its policies to favour EU states for such opportunities, to the disadvantage of the UK and risking UK prosperity.

There appears to be no established institutional format that allows a non-member state significant influence over EU external policies on an ongoing basis. Countries included in the EU's enlargement and eastern neighbourhood policies are invited simply to "associate themselves" with EU Common Foreign and Security Policy (CFSP) statements. The EU's association, partnership and cooperation agreements and other arrangements with third countries typically provide for 'political dialogue', but the German foreign ministry describes this as "a means of influencing the dialogue partners' behaviour and actions" rather than *vice versa*.¹ A recent think-tank study showed that 'political dialogue' meetings of various types between the EU and its 'strategic partners', such as the US and Canada, were held at most four times a year. The European Economic Area (EEA) Agreement between the EU and European Free Trade Area (EFTA) states is focused on the Single Market and does not mention foreign policy.²

Campaigners for the UK to leave the EU have not set out their proposed format for UK-EU political relations, nor how they would propose that the UK influences EU external action from outside. In the political field as with post-withdrawal UK-EU economic relations, 'Leave' campaigners cannot say what 'out' looks like.

b) Withdrawal impact

In the shorter term, negotiating and implementing a British withdrawal from the EU, and the required replacement arrangements such as new trade agreements, would be disruptive and take up significant political, diplomatic and bureaucratic resources. This would apply primarily to the UK, the EU institutions and EU member states, but also to other states around the world. Disruption and additional work would affect the FCO in particular. The process would render the UK, EU and international community less able

1 http://www.auswaertiges-amt.de/EN/Europa/Aussenpolitik/GASP/InstrumenteGASP_node.html

2 <http://www.efta.int/media/documents/legal-texts/eea/the-eea-agreement/Main%20Text%20of%20the%20Agreement/EEAagreement.pdf>

to act effectively on the numerous international challenges they currently face. This could risk making the UK less safe and less prosperous. The government has estimated that settling post-withdrawal arrangements could take a decade.³

Into the longer term, a UK withdrawal would affect the nature of the EU as an international actor. Without the UK, the EU would have diminished military, diplomatic and intelligence capabilities among its member states. The voice among the member states for an outward-looking internationally engaged EU, with a responsible approach to security issues, would be weakened. By leaving, the UK would create an EU that would be more difficult to work with as a foreign policy partner.

The benefits of being in

Being in the EU strengthens the UK's ability to achieve its foreign policy goals. EU foreign policy objectives largely align with the UK's own, and the EU brings more weight and tools to bear on their achievement than the UK could alone.

EU international action has furthered UK foreign policy because of UK leadership and influence in this area of EU policy. Its military, diplomatic and intelligence capabilities and permanent UN Security Council seat put the UK alongside only France among the member states in its capacity to influence EU international policy. Our government's priorities are closer to EU outcomes than those of most other EU governments. An independent study has shown that 73% of the time the UK preferred the policy of adopted legislation to the status quo⁴ and that the UK is on the winning majority side almost 9 times out of 10 in the EU Council.⁵

The UK has been in a leading role in bringing EU policy in behind its own preferred policy. The UK's EU membership amplifies British security policy, for example in efforts to tackle Somali piracy off the coast of Africa. The same applies to British diplomacy. The UK helped lead a negotiated resolution to the Iranian nuclear issue, and the imposition of economic sanctions on Russia. Thanks to the EU's diplomatic pressure and economic pull, there is relative peace and stability in the Western Balkans, despite the refugee crisis, with an independent Kosovo and stable Serbia starting to develop arrangements for peaceful co-existence. The EU is the world's largest provider of humanitarian and development assistance, and the EU is an international leader in tackling climate change.

Being in the EU gives the UK a unique position as a member of all major international organisations. This strengthens the UK's international influence.

As a member state, the UK is able to benefit from EU foreign policy cooperation without losing its freedom of action. In successive EU Treaty negotiations, successive UK governments led by both major UK parties have preserved EU foreign and defence policy as an area requiring unanimous decision-making, with a veto for each member state. The Prime Minister's recent renegotiation has reinforced this, via a legally-binding recognition

3 HM Government, "The process for withdrawing from the European Union", Cm 9216, February 2016, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504216/The_process_for_withdrawing_from_the_EU_print_ready.pdf

4 <http://www.theguardian.com/politics/datablog/2015/oct/19/simon-hix-is-the-uk-marginalised-in-the-eu>

5 <http://www.theguardian.com/world/datablog/2015/nov/02/is-uk-winner-or-loser-european-council>

by the other member states that the UK “is not committed to further integration into the European Union”.⁶ EU membership does not require or prevent the UK's use of its armed forces in its national interest. These arrangements make Britain stronger.

NATO

The UK's EU membership strengthens effective relations between the EU and NATO. ‘Soft’ security challenges such as terrorism, organised crime and cyber-attack have underlying facilitators in non-defence fields, such as infrastructure, governance, economic development and trade regulation (for example, of arms, data, energy or the media). This places a greater premium on effective cooperation with the EU if NATO is to fulfil its security mission. Outside the EU, the UK would remain an important NATO member, by virtue of its close relationship with the US and the capabilities of its armed forces and intelligence agencies. However, the UK would be less able to influence the EU to develop in a way that strengthens NATO, and the increased non-overlap in membership would complicate coordination and information-sharing between the two organisations.

Authoritative voices support the view that the UK's EU membership strengthens NATO. The NATO Secretary General, Jens Stoltenberg, has said: “A strong European Union with a strong Britain is good for NATO”.⁷ Lt Gen Ben Hodges, Commanding General, US Army Europe, has said, in the context of a discussion of a possible UK withdrawal from the EU: “if the EU begins to become unravelled there can't help but be a knock-on effect for the alliance also”.⁸

US relations

The UK is a more useful ally for the US inside the EU than out. This is because of the influence that the UK can exercise over EU international action.

US President Barack Obama has said consistently that the US values a “strong United Kingdom in a strong European Union”.⁹ This position has been reiterated by Secretary of State John Kerry¹⁰ and US Ambassador to London Matthew Barzun.¹¹

Commonwealth

The UK remaining in the EU will make the Commonwealth stronger. This is because of the influence that the UK can exercise over EU international policies if it remains in. We see no evidence that there is now any trade-off between the two organisations.

All authoritative figures from around the Commonwealth who have expressed a view have said that they would prefer the UK to remain in the EU:

- Indian Prime Minister Narendra Modi has said that the UK is India's “entry point into the European Union”.¹²

6 <http://www.consilium.europa.eu/en/press/press-releases/2016/02/19-euco-conclusions/>

7 <http://www.bbc.co.uk/news/uk-politics-35461278>

8 <http://www.bbc.co.uk/news/uk-politics-eu-referendum-35808955>

9 <https://www.whitehouse.gov/the-press-office/2016/02/02/readout-presidents-call-prime-minister-david-cameron-united-kingdom>

10 <http://www.bbc.co.uk/news/uk-politics-eu-referendum-35569134>

11 <http://www.bbc.co.uk/news/uk-politics-34670671>

12 <http://www.cityam.com/228670/eu-referendum-indian-prime-minister-narendra-modi-says-uk-is-indias-entry-point-into-the-eu>

- Canadian Prime Minister Justin Trudeau has said that “Canada has a direct stake in a strong and united EU”.¹³
- New Zealand Prime Minister John Key has said that “it’s a stronger position for Britain to be in Europe” and that if his country “had the equivalent of Europe on our doorstep ... we certainly wouldn’t be looking to leave it”.¹⁴
- Australian Foreign Minister Julie Bishop has said that “a strong UK as part of the European Union would be in Australia’s interests”.¹⁵

Climate change

Successive UK governments have identified climate change as a threat to UK security, and international action to mitigate it as a key foreign policy objective.

The EU has been in the lead in international action against climate change. It was the first major participant to submit its Intended Nationally Determined Contribution (INDC) for the COP21 UN Paris climate change conference in 2015, and it was an ambitious one. This set the bar high for other participants and helped to secure an ambitious legally binding international agreement, with the UK representative playing a key negotiating role.

13 <http://ipolitics.ca/2016/02/18/trudeau-declares-canadas-stake-in-a-united-european-union/>

14 <http://www.bbc.co.uk/news/uk-politics-eu-referendum-35943388>

15 <http://www.telegraph.co.uk/news/2016/04/02/australia-wants-britain-to-stay-in-eu-says-foreign-minister/>

Appendix 3 Opening statements from witnesses on 12 April 2016

Extract from oral evidence given to the Committee on 12 April 2016

Opening statement by the Rt Hon Sir Malcolm Rifkind QC

Thank you very much, Chairman. May I begin by congratulating the Committee on the nature of this meeting today? It is probably the first time that the SNP and the Conservatives have created a joint platform in support of this particular campaign. Whether it is a precedent or not, time will tell.

As I think we are all speaking in our personal capacities, perhaps I should say to the Committee where I personally am coming from. Historically, I have found it difficult to be on either end of the spectrum on this issue. When I was Foreign Secretary, *Le Monde* once described me as a “euroseptique modéré”, which is a combination of qualities I was quite happy to go along with. What I have tried to do for each of the issues involving the European Union is to look at the costs and benefits of each sector of policy. So far as today's discussion is concerned, on foreign policy and Britain's place in the world, I have not found it at all difficult to come to a judgment, because I believe that the benefits are very substantial; I think the costs are at most minimal, if not insignificant. Let me explain what I mean.

The way in which any country conducts its foreign policy is to use its power when it has power and, when it does not have power, to try and expand its influence. When it comes to the European Union, we have both power and substantial influence. The power we have should not be underestimated. Of course, qualified majority voting does not apply. There cannot be a foreign policy position of the EU unless there is unanimity, and our veto has two effects. First, it means we can prevent any European foreign policy position that we do not like. Secondly, also because we are a member of the EU, we can prevent the EU adopting a foreign policy position that we do not like. There can be no European view if any country objects to it, and the United Kingdom has that power.

When it comes to influence on the more positive side, when there are objectives we are actually seeking, then, along with Germany and France, we have more influence than any other country. We have seen the importance of that on issues like the Iranian nuclear negotiations and the sanctions against Russia, where Europe has made a real difference to the global position—one that would not have been achieved in the same way without the United Kingdom.

The irony is, if we were not in the European Union, such are the common strategic interests between Britain and the rest of Europe that a lot of our foreign policy effort would have to be devoted to trying to influence the European Union, of which we were no longer a member. There is no geostrategic threat to France or Germany or continental Europe that would not also be a threat to Britain, as we found both in 1914 and in 1939. So we would be in the extraordinary situation of having given up the power to either control or influence policy, but seeking as outsiders nevertheless to influence it anyway, because the outcome

would be very important to us. I noticed that a columnist in the International New York Times remarked of Britain, “To be alone against enemies in 1940 was heroic. To be alone among friends in 2016 would be”, in his view, “absurd.” I think there was a point.

I have noticed that the Brexit campaigners argue that, if we were liberated, we would somehow be able to influence events. I have not quite understood, apart from the rhetoric, what that is supposed to mean. Who is going to be influenced in a way that they are not being influenced by the United Kingdom at the moment? Who are the potential candidates? The United States have made it clear that they do not want Britain to leave, because they see our role as part of the EU as important to them in influencing the European Union position.

Both the old Commonwealth and the new Commonwealth take exactly the same view. They want the United Kingdom in the EU, not outside it. They will not be pleased, not be impressed, and will not devote more time to our views if we are outside. So far as NATO is concerned, it is the same. The only people who would rejoice are the Russians, and perhaps one or two others like the Russians. They want the fragmentation of Europe and they would see this as the first major step.

Let me conclude, because I know time is short. I will just say one final thing. The world is becoming, as we all know—this Committee knows more than most about this—global. The big decisions over the years to come are going to be taken more than anything by the United States, by China, by India, by Russia and by the European Union, whether we are in it or not. Is it seriously being suggested that the United Kingdom, with 65 million people—less than 1% of a world of 7 billion—is going to have more influence by itself than as part of the European Union?

My very final point is this—we can get carried away sometimes. I remember when Albania was communist. Its dictator, Enver Hoxha, whose only ally was China, said to his people, “We are very important people. Together with China we represent a quarter of the world.” Let us not make the same mistake of saying that, with our 65 million in a world of 7 billion, somehow we are not strengthened by being part of the European Union when it comes to foreign policy and the costs and benefits of leaving that Union.

Opening statement by the Rt Hon Gisela Stuart MP

I, too, will start with a personal journey on this. It is important to understand that I was born in West Germany. I am probably one of the few British politicians who does not regard the word “federal” as an F-word. I know these things are perfectly possible, but I also know what it requires for it to work. I spent two years as a Health Minister in the Council of Ministers. I spent 15 months trying to negotiate a European constitution on behalf of this Committee, by the way. When the constitutional convention was formed, it was this Committee that sent representatives and it was our duty to bring the European Union closer to its people. I think it literally was in July 2003 when, after all attempts, I reached the conclusion that this institution actually did not wish to be democratically accountable; that it was incapable of changing.

Looking back now, I think the trajectory of where the United Kingdom peeled off in some way started off with our refusal to be part of Schengen and our refusal to be part of the euro. Today, we are in a position where no one, even from the in campaign, is actually

prepared to defend the institution of the European Union. We can be talking about the benefits of membership of an institution that no one appears to be able to defend for its merits.

Can we just talk about the institution? It was very interesting that Michael Fallon, in particular, started to talk about being part of an alliance. That is true as part of NATO. We are part of the IMF and we are part of all other kinds of alliances and groupings. What is different about the European Union is that it is an institution that requires legal supremacy; none of our other alliances do so. In the context of a House of Commons inquiry, I would urge colleagues to think about democratic accountability and where it is going. Before 2010, the House of Commons used to have debates on a Wednesday before the Prime Minister went off on a Thursday to the European Council. We used to have fisheries debates and agriculture debates. They have all gone. We have not only increasingly given more areas of decision making, but this place itself is simply not taking an interest or using the ability to influence and shape some of these decisions.

That then takes me to why I now say we should leave. Let us be absolutely clear: if the Prime Minister had not called a referendum, I would not have sent off an application form to UKIP; I would have said, "Let's work." The Prime Minister calls a referendum. As recently as before Christmas, he says that of course it is perfectly okay for the United Kingdom to thrive and be a confident country outside. I am not entirely sure what has happened in the past four months that it was perfectly possible to be a confident country outside then, but now it is doom and gloom and the most utter irresponsibility to say no.

It is a once-in-a-generation chance to make a decision. I look at this institution that was formed in the times when there were big blocs—as Malcolm Rifkind quite rightly says, there was the cold war, the east bloc, the Americans—and Europe thought we needed to form our own bloc. I suggest there have been three waves of globalisation. The one in goods started with the formation of the WTO. Even when people talk about the single market now, increasingly the European Union becomes the organisation that hands down WTO decisions to member states. The second one was the global flow of capital, and we saw how incapable we were of dealing with that in 2008. The migration crisis we see now is actually the third wave of globalisation, and we are incapable of dealing with that. When I am then asked if I think I am going to endorse this institution, which nobody appears to be prepared to defend and which is democratically unaccountable, in my once-in-a-lifetime vote, I say no—I think we should vote leave.

Opening statement by the Rt Hon Alex Salmond MP

Thank you, Chair. Not only do I find myself, for the first time of my life, speaking with Malcolm on the same side, but I find myself surrounded by Conservatives—something which is physically impossible in Scottish politics, incidentally, Chair.

Chair: And, indeed, Scots.

Alex Salmond: I notice you have three Scots and a German giving evidence to this Committee, trying to deal with the anguish of England. I am sure we will do our absolute best.

I am for Remain. I think this country's future is inextricably connected with Europe. I do not rate the campaign that has been conducted thus far. I am not talking, of course, about evidence to this estimable Committee; I am talking about the broader campaign. I feel it's almost like "Project Fear" from the Scottish referendum has been split in two—one side arguing for Remain and one side arguing for out. I find that the arguments are not those that I would support. I don't think the plagues of Egypt will descend on this country if it decided to leave the European Union. Equally, I don't take the fantastic propositions of the evils that will befall us if we remain in the European Union.

I rather take the view that Malcolm alluded to: I think that if we didn't have an institution like the European Union, we would find it necessary to invent one. No doubt we would invent one with many imperfections, but one would be necessary to deal with the challenges that we should and must meet on a continent-wide basis.

I hope that, in evidence, I can bring to the Committee some practical experience. Obviously, as First Minister of Scotland, I dealt with the ambit of domestic policy over a seven-and-a-half-year period. Last night, in preparing evidence, I was thinking of whether I could identify things that were so constrained by the European Union and the *acquis communautaire* that they caused great difficulty. I can think of only three: fishing policy, minimum pricing on alcohol, and I wish I had introduced a living wage beyond the public sector in Scotland. But each of those are capable of being dealt with, and they certainly would have been dealt with had we had the powers of a member state. In contrast, I can think of a whole range of policy initiatives of the Scottish Government that were assisted and enabled by our membership of the European Union.

My position is that an institution like the European Union would be necessary for us to invent if we didn't have one. This country's future is bound up inextricably with Europe, and we should embrace it. It is said that people are not prepared to defend the European Union. Well, I'm prepared to defend it—not because I think it is a perfect institution, but because it has, on a range of policies, achieved a great deal, and with effort and will it could achieve a great deal more. On the issue of practical experience, as opposed to phantoms in the night or bogey people in the cupboard, I hope to be able to offer this Committee some insight.

Opening statement by the Rt Hon Dr Liam Fox MP

For me, the whole issue is one of sovereignty, so it is not possible for me to disaggregate the concept of sovereignty from all the other issues related to that, in terms of foreign and security policy. I want to live in a free and independent country, and for me the positive benefits of leaving the European Union are to get control of our law making, to get control of our borders and to get control of the use of our own money. For me, those are prizes worth having, even if there is a price to pay.

I fundamentally do not believe in the concept of supranationalism. I do not believe that we should voluntarily give up our identity and be subjugated to any degree whatever by a legal authority, rather than a co-operative organisation. I do not believe that we can talk about Europe and the EU as being the same. One of the things that has irritated me profoundly during this campaign is people talking about Europe and the EU as though they were one

and the same. Europe is a continent with individual nations with their own identities and their own heritage. The EU is a short-term political construct, in my view run for those at its centre, with precious little regard for its citizens or the consequences of its actions.

I'm not one of those who says that everything the EU has done is bad. For example, I think the ability to help bring Spain, Greece and Portugal from military dictatorships into the democratic family of nations was an important step. I think the ability of the EU to act as a beacon for the countries that were under Soviet tyranny and show them that there was an alternative future of freedom, democracy and free markets was very important, but I do not believe that the European Union and those at its centre understood the consequences of the fall of the Berlin wall and the new world that was on the other side of that.

I do not believe that we have a reformed EU; I think it is an unreformable EU, because those at its centre do not want it to be reformed. I think they are going against the grain of history, and if they will not bend, they will break.

I also believe that there are more risks to the United Kingdom in remaining in the EU than in leaving. In particular, I think that the "unfinished business", as the Governor of the Bank of England called it, of the completion of monetary union poses big risks for the UK. If there were risks before the Prime Minister's renegotiation, they have got bigger now because we have given up our veto when it comes to the process of de-risking the euro and what might happen in the eurozone. It is like being in a modern driverless car, but one not attached to Google.

I also think there are security risks to us in continuing in the EU because of what is happening with migration and the security risks that will come, as inevitably many of those who have come into Europe gain citizenship over a period of time, if we have the unlimited free movement of people that we have at the present time.

I agree entirely with Gisela, but I think that the fundamental move here was when the eurozone was created. At that point, the eurozone started to leave us and that was the fundamental shift in the plates that we are seeing widening at the present time.

I totally agree with Malcolm that the world is becoming more global. We have moved from the bipolarity of the cold war through the so-called unipolar moment of the US into a very different world with multiple power centres, even though they are still largely asymmetric. But I think the era of the bloc is diminishing and the new era will require us to have greater flexibility, and the restrictive nature of the structures of the European Union will diminish our ability to take advantage of that new global dynamic.

At a time when we need to be forward and upward looking, the European Union remains backward and inward looking, spending far too much time gazing at its own navel and far too little time thinking about the future of European citizens, particularly the young, who have been sacrificed on the altar of the vanity of the single currency.

Formal Minutes

Tuesday 19 April 2016

Members present:

Crispin Blunt, in the Chair

Mr John Baron	Adam Holloway
Ann Clwyd	Daniel Kawczynski
Mike Gapes	Yasmin Qureshi
Stephen Gethins	Andrew Rosindell
Mark Hendrick	Nadhim Zahawi

Draft Report (*Implications of the referendum on EU membership for the UK's role in the world*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Preface read and agreed to.

Paragraphs 1 to 78 read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Fifth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Several papers were appended to the Report.

Ordered, That further written evidence from HM Government of Gibraltar (EUM 0034), and written evidence from Britain Stronger in Europe (EUM 0035) and from Vote Leave (EUM 0036) be reported to the House for publication on the internet.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Tuesday 26 April at 2.30 pm]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Tuesday 20 October 2015

Question number

Charles Grant, Director, Centre for European Reform, and **Stephen Booth**, Co-Director, Open Europe

[Q1–48](#)

Tuesday 3 November 2015

Graham Avery, Senior Adviser, European Policy Centre (EU Commission, 1973 to 2006)

[Q49–92](#)

Professor Patrick Minford, Cardiff University, and **Dr Stephen Woolcock**, London School of Economics and Political Science

[Q93–139](#)

Tuesday 8 December 2015

Dr Scott James, Senior Lecturer in Political Economy, King's College London, **Professor Iain Begg**, Professional Research Fellow at the European Institute, London School of Economics and Political Science, and **Dr Angus Armstrong**, Director of Macroeconomics, National Institute of Economic and Social Research

[Q140–192](#)

Professor Sir Alan Dashwood QC, Emeritus Professor of European Law, Cambridge University, and **Professor Panos Koutrakos**, Jean Monnet Professor of European Law, City University London

[Q193–225](#)

Tuesday 15 December 2015

Rt Hon Baroness Ashton of Upholland, former High Representative of the European Union for Foreign Affairs and Security Policy/Vice-President of the European Commission

[Q226–266](#)

Thursday 14 January 2016

Federica Mogherini, High Representative of the Union for Foreign Affairs and Security Policy and Vice-President of the European Commission

[Q267–285](#)

Tuesday 12 April 2016

Rt Hon Dr Liam Fox MP, **Rt Hon Alex Salmond MP**, **Rt Hon Gisela Stuart MP**, and **Rt Hon Sir Malcolm Rifkind QC**

[Q286–357](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

EUM numbers are generated by the evidence processing system and so may not be complete.

- 1 Brightwake Ltd ([EUM0001](#))
- 2 Britain Stronger in Europe ([EUM0035](#))
- 3 British Standards Institution ([EUM0021](#))
- 4 CBI ([EUM0018](#))
- 5 Centre for European Reform ([EUM0023](#))
- 6 David Campbell-Bannerman MEP ([EUM0028](#))
- 7 Dr Andrew Glencross ([EUM0002](#))
- 8 Dr David Blagden ([EUM0013](#))
- 9 Dr Dermot Hodson ([EUM0011](#))
- 10 Dr Mark Langan ([EUM0016](#))
- 11 Dr Richard Lang ([EUM0032](#))
- 12 Dr Stephen Lee-Kelland ([EUM0008](#))
- 13 Dr Tim Oliver ([EUM0019](#))
- 14 Dr Wyn Rees ([EUM0009](#))
- 15 Dr Gavin Sullivan ([EUM0017](#))
- 16 Falkland Islands Government ([EUM0033](#))
- 17 Foreign & Commonwealth Office ([EUM0024](#))
- 18 Graham Avery ([EUM0027](#))
- 19 Dr Heather Grabbe ([EUM0030](#))
- 20 HM Government of Gibraltar ([EUM0029](#))
- 21 HM Government of Gibraltar ([EUM0034](#))
- 22 Mr Nick Witney ([EUM0010](#))
- 23 Professor Karen E. Smith, Dr Federica Bicchì, Dr Nicola Chelotti, Dr Stephen Woolcock ([EUM0014](#))
- 24 Professor Richard Rose ([EUM0012](#))
- 25 Professor Richard G Whitman ([EUM0015](#))
- 26 Robin Porter ([EUM0026](#))
- 27 Roland Brunner ([EUM0003](#))
- 28 The Crown Dependencies ([EUM0031](#))
- 29 TheCityUK ([EUM0022](#))
- 30 Vote Leave ([EUM0036](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2015–16

First Report	The FCO and the 2015 Spending Review	HC 467 (HC 816)
Second Report	The extension of offensive British military operations to Syria	HC 457
Third Report	The UK's role in the war against ISIL following the Cessation of Hostilities in Syria in February 2016	HC 683
Fourth Report	The FCO's administration and funding of its human rights work overseas	HC 860