

Foreign Affairs Committee

Oral evidence: [Implications of leaving the EU for the UK's role in the world](#), HC 431

Tuesday 13 December 2016

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Members present: Crispin Blunt (Chair); Mike Gapes; Mr Mark Hendrick; Mr Adam Holloway; Ian Murray; Andrew Rosindell; Nadhim Zahawi.

Questions 276-330

Witnesses

Ian Bond, Centre for European Reform and Professor Richard G. Whitman, Chatham House.

Examination of witnesses

Chair: Welcome to this afternoon's session of oral evidence in connection with the Foreign Affairs Committee's inquiry into the implications of leaving the European Union for our role in the world—that is, our continuing inquiry into the issues of Brexit. I would be grateful if our two witnesses would identify themselves for the record.

Professor Whitman: I'm Richard Whitman. I am an associate fellow at Chatham House, the Royal Institute of International Affairs, and also an academic at the University of Kent.

Ian Bond: I'm Ian Bond. I'm the director for foreign policy at the Centre for European Reform.

Q276 **Chair:** Thank you both. I would like to kick off with a general question. If we leave the European Union with no article 50 deal in place, which is the basis of our inquiry, from which decision-making structures related to defence policy and foreign policy will we find ourselves excluded?

Professor Whitman: Shall I start? I think the short answer is all of them. We would be outside the European Council, the Foreign Affairs Council, the Political and Security Committee and all the working groups on the common foreign and security policy. Ditto for all of the CSDP institutions that we would not have our representative on—the Military Committee, for example. We would be in a situation akin to that of all other non-member states who are not participants in the CFSP or CSDP process.



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Q277 Chair: Just formally in terms of those processes, there are a number of nations with observer status—certainly in the meetings I have attended—so if there was no agreement at all, would we even have observer status? Is observer status dictated by some formal arrangement?

Professor Whitman: The arrangements for other states' being associated are either through some sort of political dialogue commitment, which is where you have an exchange of views, or on the CSDP side you would sign an agreement that allows broad participation in the CSDP. The institutional engineering is not very well designed for non-member states, and it is certainly a sort of second-class relationship. You tend to be a taker rather than a real participant in the policy-making process.

Q278 Chair: More substantively, to ask a more straightforward, technical question, what levers of foreign policy and weight will we lose if we lose access to the EU's treaties with states in Europe's neighbourhood, such as Ukraine and Tunisia?

Ian Bond: We would no longer be parties to any agreements that the EU has with those countries. In a trade sense, we would have to make new arrangements. In a political sense, again, we would not be taking part in association councils or the like. That is one opportunity for dialogue with those countries that would be lost, but obviously we would also be able to have bilateral relations with them, as we do now.

Q279 Chair: If one is looking at our relations with Tunisia now, for example, security of tourists and travel advice seems to be the principal bilateral preoccupation. That would not be affected at all, would it?

Ian Bond: On the whole, it would not. The protection of British citizens would be as it is now. The one difference, I suppose, is that if in the past all 28 have been able to go and talk to the Tunisians about shared concerns about security and so on, we now would not be associated with that unless it were agreed locally that we should be associated with that. You would not be going in with, as it were, the full weight of the EU behind you. I don't know in the specific case of Tunisia whether we have co-operation programmes in the security sector, but you would not necessarily be able to connect any programmes you have in the security sector with your concerns about the safety of your citizens.

Chair: You wouldn't be able to.

Ian Bond: If you had a bilateral programme, you would, but if—

Chair: I think with Tunisia they are all bilateral. The arrangements that have arisen out of Sousse are bilateral, as I understand it, and the assistance we are giving to the Tunisian security forces to raise their game so that it is safe for our tourists to go back is a bilateral relationship.

Q280 Mr Hendrick: What would be the status of UK contributions to ongoing CSDP operations, following what we are now calling a cliff-edge Brexit?

Professor Whitman: At the moment, there is a distinction to be drawn between the civilian and the military operations, in terms of the funding



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arrangements. For the military side, the common costs of the operation, which are essentially to do with headquarters and that kind of thing, are paid for by a formula and spread across all the member states. The UK pays just under 15% of those costs. Those would obviously disappear as far as the EU is concerned, and we would not have the obligation to pay those, as we will not be a member.

The other costs that fall on those military operations are ones that fall on you, in terms of your participation. When we participate, we carry a cost in terms of the real cost for the staff, the resources and so on that we provide. We would be withdrawing the financial contribution but also ending the contribution in kind in personnel and resources. Obviously, in some operations—for example, the Atalanta operation off the Somali coast—we make a significant contribution, but others less so.

Ian Bond: It is worth saying that we would probably still be able to take part in operations if we had what is called a framework participation agreement, but we would not be part of the decision-making structures any longer. Operation Atalanta is the one that would be most affected, because we provide the command headquarters for that.

Q281 **Mr Hendrick:** I was going to ask about the future of operational HQ at Northwood. Would that be in doubt?

Professor Whitman: Operation Atalanta has just been extended to the end of 2018. It depends on the scenario in which the UK leaves the EU. We could leave after that date, so it may not be an issue if the operation is not extended. There are another four OHQs that the EU could use, so it could switch from Northwood to another OHQ if it wanted to do so. There is no precedent so far for a non-member state providing an operational headquarters. That would be a new one if some kind of agreement was reached between the EU and the UK to continue using that facility.

Q282 **Mr Hendrick:** Mr Bond, you mentioned perhaps having ongoing participation. Do you think that would be likely if, for example, the terms of the UK-EU relationship were still unresolved?

Ian Bond: That is something that is open to non-member states anyway.

Q283 **Mr Hendrick:** But we would not have any decision-making powers.

Q284 **Ian Bond:** But you have no decision-making powers. That is correct, and that is what I would anticipate. Regardless of whether we have the cliff-edge scenario and however amicable the arrangements are, the EU has taken the decision in principle in the past that it wants to have autonomy of decision making. That rules out participation by non-member states in the decision-making process. You can have a close partnership and you can contribute personnel, equipment or whatever, but you don't get a say in the decision.

Q285 **Mr Hendrick:** So it is taxation without representation.

Ian Bond: You would only do it if you thought it was in your interest that that operation should go ahead. Effectively it is representation but not decision making.

Q286 **Mr Hendrick:** Do you think it is more likely that the UK would then withdraw its assets and funding immediately, rather than going ahead and contributing to operations where it has no say, even if it thinks it is a good idea?

Ian Bond: That seems to me to be cutting off your nose to spite your face, if you think that your operation is a good idea. Taking Operation Atalanta, if we still think in 2018 that there is a problem with piracy in the Gulf of Aden, presumably it would not be in our interest to say, "We are not going to have anything to do with this operation any longer, and if it fails, that is your problem", because it would be our problem, too. I would hope that we would continue to contribute where we thought the operation was a good idea. If it is in a part of the world where we are not interested, we have no reason to participate.

Professor Whitman: To add to that, other countries have decided to participate on a case-by-case basis, including the United States, which has sent personnel to some of the civilian CSDP operations, but the same thing holds in terms of the decision-making process. They do not get more of a say, even though it is the United States. All non-member state participants are treated in the same way, which is that they are treated in effect as having a second-class or associated relationship, rather than being there when the mission is defined.

Mr Hendrick: Some of us think that it is cutting off our nose to spite our face, but I will leave it there.

Q287 **Ian Murray:** I will not follow that. May I continue with the cliff-edge scenario that Mr Hendrick introduced, but this time in terms of sanctions? Would the UK automatically drop out of all the third-country sanction regimes?

Professor Whitman: I do not think there is any reason why it would have to. The way that the sanctions regime works at the moment is that EU sanctions are passed as regulations and they find their way into UK law. We could decide to continue with all the sanctions that are in place. I do not think that there is any bar to our continuing to do so, but we would not be participating in the decisions to extend sanctions or to lift or amend sanctions, as is currently the case. We have other sanctions regimes that come through the UN or the OSCE. In effect, it would be like that, but there is a broader question as to the degree to which we want to shadow what the EU does, or whether we want to pick and choose the sanctions regimes and other restrictive measures that we keep in place.

Q288 **Ian Murray:** Would there have to be some kind of practical or legal framework put in place to allow us to do that?

Professor Whitman: We already have a legal framework for us to do so in terms of our decisions when we impose sanctions on third countries. So



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far as the EU is concerned, it would be an issue of co-ordination and how we wanted to co-ordinate with the US. That issue has come up with the EU and the US on Ukraine, for example.

Ian Bond: Yes, it has been a very labour-intensive process for the EU and the US to stay not perfectly aligned, but as closely aligned as they have been. To add to what Richard has said, we are great contributors to the intelligence on which sanctions regimes in the EU are based. That is a problem both for us and for the remainder of the EU when we leave. If we continue to think that, for example, sanctions in relation to Zimbabwe or Iran would be an appropriate response to some situation on the ground, we would have to find not only some way to persuade the rest of the EU in order to make those sanctions maximally effective, but some appropriate way to share the information that would enable you to construct a sanctions regime, and that might not be entirely straightforward in legal terms, in terms of data protection and so on.

Q289 **Ian Murray:** Let us say that the UK decided to take a much more bilateral approach and to extend sanctions against, say, Russia or one of the other countries that you have mentioned. Given that this is co-ordinated across the EU, and the UK has that reputation of providing most of the intelligence, would it carry much more weight if the UK decided to increase its sanctions against any of these third-party regimes?

Ian Bond: I cannot think of any country where the trade with the UK is so great that the UK on its own would be able to have much impact.

Q290 **Ian Murray:** But do you think that the EU might follow if the UK has the intelligence, or do you think that intelligence sharing will just be co-ordinated regardless of the type of Brexit?

Ian Bond: Without knowing what the specific cases are, it is hard to say. One can take some of the examples. We are not the only country that has a major interest in the sanctions on Russia, so I would have thought that if the UK wanted to stay engaged in that area, it would be pushing at a relatively open door—possibly. But if you take, say, the sanctions in the past on Burma or on Zimbabwe, the UK was able to persuade a largely indifferent EU to do something that contributed to some UK political goals in those two countries. I think that is the sort of area where it is much harder to envisage getting 27 not very interested countries to do something for the benefit of a non-member state.

Q291 **Andrew Rosindell:** What will be the implications for the UK's wider foreign policy if it leaves the EU with no exit deal in place?

Professor Whitman: To my mind, it's a bit like the break-up of the Beatles or something like that—you would be losing a major singer-songwriter in terms of foreign policy. The UK's voice and the UK's interest in foreign and security policy would be lost to the other member states, so there would be problems on their side as much as there may be on our side.



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The major advantage for us in participation in the system as it exists is twofold. First, it is quite an efficient way of delivering foreign policy—with a group of countries. If we are able to bring countries on side with our point of view, we obviously get 28 countries standing behind that position and we get the other weight that follows, in terms of the economic heft and so on. But it does mean that sometimes you have to accept, obviously, that some of the policy might be what some critics have called the lowest common denominator—you get much less than you would have got if you had pursued a policy on your own. But whether it has the same effect of course depends on the country and the degree of leverage that the EU has over that country.

Q292 Andrew Rosindell: Would it not be a greater loss for them? We are clearly a country with huge global outreach, with the biggest armed forces and with the greatest number of global connections. Surely they would want to include us in sensible bilateral discussions that are of mutual interest and mutual benefit. Why should the fact that we have left the EU mean that we suddenly are no longer relevant to them? Is that seriously what you think they are going to—

Professor Whitman: No, absolutely not. We will continue to be as relevant as we have been, in terms of our resources. The challenge for us will be: how do we make sure the other member states understand what our positions are and the issues that we care about, and have influence on them. That is perhaps as much an issue of bilateral diplomacy and how we are able to make things work in other member state capitals, as well as in Brussels. That is a challenge for us post Brexit, and I think there is a question as to whether we have the infrastructure in place at the moment to make that as successful as it could be.

Another thing to flag up is the UN and co-ordination within it. In terms of our exit from the EU, it is worth thinking now about where we might want to be with regard to UN co-ordination, because the member states co-ordinate and regional groups tend to be the key drivers within the UN system. We will obviously be leaving an existing group, so we must think about what other groups we might want to align ourselves with, and whether that will give us the same sort of purchase that we have now.

Q293 Andrew Rosindell: Apart from the UN, how about organisations such as NATO? Would there be any knock-on effect on our co-operation with it, bearing in mind that a number of EU countries are not members of it?

Ian Bond: Some of the EU countries that are not members of NATO none the less have a very close relationship with it, such as Sweden and Finland in particular. There is a lot of variable geometry in all of these relationships. On the whole, I do not think that it will affect our position in NATO, although given some of the pronouncements from the President-Elect in the United States, I have some concerns about where NATO might be headed, and just how durable the US commitment may be if the President-Elect carries through some of his statements on the alliance. NATO is a very good place for us to have as long as the Americans are fully committed to it.



Q294 Andrew Rosindell: If there was an acrimonious departure of the UK from the EU, how would that be seen in the global community? Would it be something that would affect our reputation, or would it affect the EU's reputation by allowing a situation to occur whereby Britain, a friendly ally neighbouring the EU, is outside, and an acrimonious environment has been left on our departure?

Ian Bond: I am afraid that I do not think the rest of the world sees it like that. Even in the US, they regard the responsibility for this as being firmly on the side of the UK, not on the side of the EU. We voted to leave, so it is not up to the EU to find a way to accommodate us. From the perspective of many people, it is up to us to find a way not to do too much damage on the way out. Even among some of our closest allies, they are likely to put the blame for any acrimony on the party that decided it wanted a divorce.

Q295 Andrew Rosindell: So you do not think that they might see it differently, in the sense that we are exercising our free will to make our own choices, and they, perhaps, want to make things difficult for us? You do not think that, by doing that, it will harm their reputation rather than ours? They do not make life difficult for other countries that choose not to be in the EU, so why would they make life difficult for a country that has experienced the EU and decided that they didn't like it?

Ian Bond: It depends what you mean by making life difficult for us. If we go on to the same sort of terms as any other third country, does that count as acrimony? It would not be an optimal solution for the UK, but it would be the EU treating the UK on the same basis that it treats the United States, Canada or any other country.

Q296 Andrew Rosindell: But the EU don't have an acrimonious relationship with those countries, so why would there be an acrimonious relationship with us?

Ian Bond: You said if we leave acrimoniously; I am not quite sure of what your terms are for leaving acrimoniously.

Q297 Andrew Rosindell: Do you think that could happen though? Or do you think that it will not happen in that case?

Q298 Chair: This inquiry is predicated on the fact that we drop out—there is no deal vetoed by this Parliament or the European Parliament nor are the 27 prepared to agree terms with us. That is the assumption that underlies this inquiry. It is plainly not going to be entirely acrimonious, but there will be an element of acrimony from somewhere because no deal will have been done.

Professor Whitman: It also depends on how clear we are from our side on what we are exiting to in terms of our relationship with third countries—non-EU member states—where we see the advantages for them from our exit, and how we work out our bilateral relations with other member states. There could be a degree of acrimony with Brussels institutions, but the view of Brussels may well not be shared in all member state capitals.

Q299 Chair: May I explore the implications for the UN, particularly in terms of France? What will happen to the operations of the P5 on the Security Council? What are the implications for the French being a lone EU voice as a P5 member?

Ian Bond: I do not think it will make an enormous practical difference, because it is not likely that the UK will head off in a very different direction on most international questions. There will be nuances, but there always are. As I look at most of the problems on the UN Security Council's agenda, we and the French tend to see a lot of them in similar ways, but that is because we see them in similar ways, not because we are in the EU. It is only an issue if you foresee circumstances in which we might be dramatically at odds with the French over something, but that problem would arise anyway. Since the Security Council was specifically excluded from the Treaty on the European Union, the members of the Security Council have that specific responsibility for international peace and security, as it were, written in as a get-out clause from the general provisions of the common foreign and security policy. It should not make an enormous difference and I would anticipate, depending on what the incoming US Administration want to do, that P3 co-operation in the Security Council will continue to be extremely important, so the US, the UK and France will continue to be very important.

Q300 Chair: Would the French feel that they now possessed the EU seat and therefore feel rather more free to operate a veto overtly, when we have not been prepared to operate a veto for God knows how long? I can't remember—I think I have asked the question, and I am not sure you had an answer—when the UK last exercised a veto in its own interest. However, the French might feel that they are yielding a veto on behalf of 27 nations and so would feel enfranchised to exercise it. Does this change the dynamics on the Security Council?

Professor Whitman: It is an interesting proposition. Within the EU, it has the potential to cause some tension. Both Germany and Italy believe that they should be permanent members, and therefore any initiative or sense that France was acting on behalf of the collective would probably cause some difficulties for France in terms of its relationship with Germany, certainly, and probably also with Italy. Acting in that way would probably have a disruptive or negative effect on France's relationship with the other member states, even if it gave France a certain self-satisfaction in speaking on behalf of a larger group of states.

Q301 Mike Gapes: May I probe you further on whether the EU's policy towards certain issues internationally would change as a result of our leaving? The most obvious one is Russia. It seems likely that whoever is the French President next year may be more friendly towards Russia than the current one. Therefore is it likely that there will be a divergence between the collective EU position towards Russia—and a softening of the sanctions regime—and the UK position. As you have mentioned, we also have President-Elect Trump, so we will become very isolated in relation to our attitudes towards Russia.



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Ian Bond: I think that is a real risk. I see that President-Elect Trump's chief of staff has said today that he might not extend sanctions. As I think you indicated, two of the most likely contenders for the French presidency are also more friendly towards Russia than President Hollande has been. I think there is a real concern over whether the sanctions are likely to be continued, and that is true whether we are in the EU or not. Certainly if one looks out to 2019 and beyond, if we were at that point trying to continue sanctions when everyone else had dropped them, they would be pretty ineffective sanctions.

Q302 **Mike Gapes:** The trigger point will come before we leave the EU, in the spring of next year. I assume March next year. Is that right?

Ian Bond: Well, with the French elections, yes.

Q303 **Mike Gapes:** And that is when the next decision has to be taken in the EU—I think by the end of March—and then there is another one in June.

Ian Bond: Yes.

Q304 **Mike Gapes:** Okay. Related to that—it follows on from previous questions—if there is this cliff-edge change in 2019 or perhaps 2020, will the foreign policy priorities of the EU change?

Professor Whitman: If it looks like it is difficult to get a deal, I think there will be a sort of shadow of the future. Even before our departure we will start to see member states start to calibrate their views in the expectation that we will be leaving, and perhaps leaving in fairly abrupt fashion. Alongside Russian policy and US policy, I think the EU's relationship with Turkey will become more complicated once the UK is on the outside. We can think of other cases where the UK itself has invested quite a lot, for example, in Somalia, where our enthusiasm for seeing the EU broaden and deepen its policy is not necessarily held by all member states, and therefore other member states could start to make calculations about whether that is something they want to put energy into.

Q305 **Mike Gapes:** Turning to the defence aspects of the foreign and defence policy, we have been the main block on some efforts within the EU to have headquarters and what have been regarded as duplication and parallel structures to NATO. When we leave, would you expect an acceleration of the moves towards the EU defence identity and what we have up to now resisted quite successfully?

Ian Bond: I think in some areas, yes. I would have thought that the question of a headquarters would be probably top of that list. There are arguments on both sides there. There is an argument that having a number of headquarters that you call on more or less ad hoc is itself a slightly inefficient way of organising things. But equally, there are a number of countries within the EU that are as keen or almost as keen as the UK to make sure that the EU does not duplicate or diverge from NATO. I have mentioned the Baltic states and Poland particularly in that group. Some of them may have to speak up rather more loudly if the UK is no longer able to be the sole blocker, as it were.

Q306 **Mike Gapes:** So have they been hiding behind us?

Q307 **Ian Bond:** Some of them have undoubtedly been hiding behind us, so they may have to be a bit more voluble now. At the same time, there are some things that the EU can usefully do where we have also been obstructing. I would look particularly at things such as the defence industry and defence markets, where the irony is that we have both obstructed and made most use of EU directives on matters such as opening up defence procurement.

Mike Gapes: What about issues such as arms export policy, which was dealt with in our previous session? With consolidated criteria, would that change?

Professor Whitman: It may. I think it depends partly on us, on our approach for our arms exports regime in future, and on the degree to which we want to shadow or parallel the EU regime. On the defence issue more broadly, it is inevitable that there will be more talk about defence, whether in terms of the common security and defence policy or of the defence industry. That is the case partly because other member states want to demonstrate that with a UK exit, they can still do these things even without a major defence player on the inside. On their part there is also a danger of overstretch. For example, on the commitment to strategic autonomy in the global strategy, I think most independent observers would say that that is quite an ask of the European Union—and even more so without the UK and some of the strategic enablers that we have available. Whatever kind of relationship we have, and whatever happens the day after the cliff-edge departure, a few days after that departure there will be a realisation on the EU side that, in the medium and long term, it makes absolutely no sense to have the UK cut off from what Europeans are trying to do. There will then be a question for us as to what degree of collaboration we want with the EU.

Q308 **Mike Gapes:** Would that be with the EU collectively, or would it be a continuation of the Saint-Malo process with the French? Would it be co-operation with the Dutch on naval issues, or some kind of ad hoc coalitions of particular areas?

Professor Whitman: The strategy that the UK has adopted in the past is that, because we have not been enthusiasts for the development of a European security and defence policy, we have tended to be pragmatic but also sceptical about some of the more high-flown rhetoric. We continue to have a set of important bilateral defence developments. France has been a big one, but we are now moving forward with Germany, and there is also an intention to deepen relationships with Poland. One of the things that the UK will almost certainly engage in once it leaves—we could call it a sort of promiscuous bilateralism—is looking for partners where we think they can deliver for us, not just in terms of bilateral relationships but with NATO in view. Our line on the European defence policy would continue to be the same. If we see it as useful for NATO and for European security, we will be enthusiastic, but if we see it as grandstanding or as detrimental, we will obviously take the view that it is not a good thing for us.



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Q309 Mike Gapes: Is there a danger—you touched on this earlier when you talked about NATO—that a combination of a downgrading in the importance of NATO by the United States and the UK leaving the EU will mean an increasing divergence between the EU and NATO, as European countries that are also in NATO will want to have a more assertive collective voice within that relationship?

Professor Whitman: I think that is a risk, and a lot does depend on what happens in the US over the coming months. A lot of people seem to be encouraged by the nomination of General Mattis as the Defence Secretary—somebody who knows NATO and has worked alongside it.

Mike Gapes: Mr “Mad Dog” Mattis.

Professor Whitman: Indeed. He may be known as “Mad Dog”, but everybody seems to think that he is an exceptionally smart and strategic general, so I hope he makes an exceptionally smart and strategic Defence Secretary as well. But were the US to decide that NATO was obsolete, the risk you identify is precisely right, and even some of the more Atlanticist members of the EU may start to look around for where else they can get their guarantees from. There is a lot to play for on that.

The arms export controls are very important. We are one of the major arms exporters in Europe. If we and the French are bound by sets of common criteria, even if we don’t necessarily think we are always interpreting them in identical ways, the playing field is fairly level. If we go off in different directions, there is a risk of a race to the bottom, where we are all looking at each other and thinking, “If I don’t flog this to country X, the French will,” or if I am sitting in France, “the British will.” That may not be good for anybody’s security in the long term.

How do you keep that mechanism in place? A lot of bilateralism. That goes back to a point that Richard made earlier: we need to ensure that we are investing in the infrastructure of bilateral relations if we are going to have a replacement for what we currently have through our membership of the EU.

Q310 Mr Hendrick: My question relates in a different way. On leaving the EU, we will not necessarily feel the same obligations that we did in the past. What impact do you think that will have on defence industry consolidation, for example, which has been pushed considerably? Given BAE’s history in the way that it has moved away and sold Airbus and looked at buying American defence companies, do you feel that BAE is vulnerable in future to strong American influence and possibly even a takeover?

Professor Whitman: There is. The change taking place within the EU is that the European Commission is now seeking or having much more of a role, and resource has now been put into the development of key technologies, really been spurred on by universal agreement within the global strategy. That will obviously be something that the UK will not be a part of in the medium and long term.



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There is also a question for us about the European Defence Agency and what kind of relationship we want to have with that. The EDA is a key vehicle for technology and capability development for the member states. We know that it is possible to have an associated relationship, as Norway has. Whether that is the kind of relationship we want is something for us to consider, not least because it would involve us; it would not give us the same agenda-setting power as a full member, but it would at least see us involved in the programmes of the EDA. That is a consideration for us.

Those are issues at the margin to your question, which is the political economy of European defence and whether the UK finds itself having less access to other member states' decisions on procurement, and therefore has to look elsewhere for opportunity because the other member states are being a bit more inward looking and trying to tie their defence industries to capabilities development on the part of the EU. It really then depends on what the US defence market looks like and what other important defence markets such as the Saudi market look like, which has obviously been a growing market in the defence industry in recent months and years.

Ian Bond: Yes, the question of American influence is quite important. Again, President-elect Trump is talking about building up the US military, having a much enlarged navy and so on, so there may be some opportunities for British Aerospace there. Equally, we do have an interest in European security and in the resources that European countries devote to defence being used as efficiently as possible.

As I say, the irony is that, although we have not been great enthusiasts for the Commission having a role in this area, once there was the defence procurement directive, we are actually the people who have tried to do the most to ensure that procurement is open and that money is not spent inefficiently on national champions. So there is a slight risk that, if we are out of the picture, Europe goes back to spending money rather more inefficiently, and I'm not sure that is good for anybody.

Q311 **Mr Hendrick:** Both of you have come at it from the trade perspective. What I am trying to get at is whether the consolidation that has taken place will stop. Will any consolidation be transatlantic rather than pan-European?

Professor Whitman: You can see that on the continent there are all sorts of things that would push more consolidation on the part of continental manufacturers. As for us, BAE has a strategy of, in effect, diversifying and looking more for tie-ups in the US. Unless European defence expenditure increases significantly and dramatically, which looks unlikely despite the political pressure being brought to bear—German defence spending is ticking up a little, but not of the order of magnitude that the President-elect will certainly come to expect—the US may well look a more attractive location for BAE for tie-ups, rather than having them with other Europeans. Also, industry and capabilities have become so interwoven in the minds of people in Brussels that their mindset tends to put us in a different category.



Q312 Mr Holloway: To extend that point, it strikes me that on this issue President Trump is not being completely outrageous—the Europeans should take a bit more responsibility. Would we be smart to prioritise defence and security negotiation in the upcoming negotiations?

Ian Bond: I am not sure that I understand the question.

Mr Holloway: Well, in the sense that if the Americans expect Europe to take more responsibility and we have a higher level of defence spending and far more assets than them, would that not be a smart thing for us to prioritise when we are negotiating with them, in terms of future co-operation?

Ian Bond: For both sides I think there is an interest in co-operating in those areas. Something over a quarter of all current EU defence expenditure is by the UK, so we make a pretty major contribution in that area. It is going to be one of the areas in the negotiation, but in some ways it is one of the least complicated. The complicated stuff is the trade and so on. This is something which we bring to the table, in a sense, but there is a mutual interest in us all continuing to work together.

I simply don't know what to make of the statement that NATO is obsolete. If that is a challenge to NATO—

Mr Holloway: I was talking about European defence spending.

Ian Bond: Right. But if it is intended as a challenge to the Europeans to spend more—in other words, it is just burden sharing but in a more aggressive form—I think that is perfectly reasonable. Europe has under-invested in its defence for a long time and it is not unreasonable for the Americans to ask us to do a bit more. If it is a genuine statement of belief that NATO has outlived its usefulness for the US, then that is more of a problem. We won't know that for a few months.

Q313 Mr Holloway: I forget who it was, but on "Question Time" on the BBC the other day, an economist said that in the end—in the sweep of history, 10 years down the line—our departure from the EU will be seen as little more than an adjustment in the way we conduct our trade. What would you both say to that?

Professor Whitman: Maybe—I am not an economist.

Mr Holloway: But you can comment on other things.

Professor Whitman: I think it depends on our clarity about what we want to do with the challenge and opportunities available to us, in terms of remaking our foreign security and defence policy outside the EU. Of course, part of that will be the relationship we have with the EU, because we will be worried about the EU not emerging as a security challenge for us as a country. In other words, if we want to be doing things elsewhere, we do not want to be distracted by having to spend all our time worrying about the condition of the European Union.



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I think we will continue to be a major contributor to European defence, as we have always been, certainly measured in terms of the last few hundred years. That is inevitably going to be a role for us. I guess the question as to whether we made the smart choice will depend on what happens to Europe's economy and what happens to us in terms of the choices that we make and whether we can afford to do more and new and different things based on what our economy would allow us to do.

Q314 Mr Holloway: So, if it is not an unfair question given that you are an independent expert, in your personal view, will it look like a smart choice in 10 years' time?

Professor Whitman: In 10 years' time, if I can afford to retire because the economy is so healthy and the state can afford to pay me a pension, I think it will have been a fantastic choice on the part of the electorate here. Frankly, we are facing the most uncertain period in our international relations since the second world war. As a country, we are now facing the double uncertainty of our transatlantic anchor and our EU anchor. That means we have quite a lot of things to weather between now and then.

I think we have to be optimistic about what we might do as a country and what we might do in our foreign and defence security policy—it will be a fantastic time to be in the foreign and defence security business, in terms of the need for creative and original thinking—but I think how good the future looks is not going to be in our hands.

Mr Holloway: Mr Bond. A smart choice? In ten years' time?

Ian Bond: Unlike Richard, I am a pessimist, not least on the basis that if I am wrong, I will be happy to be wrong.

I rather doubt it. I think we are contributing to unsettling a continent that faces a lot of challenges and I don't see that as being good for us. The English Channel does not get any wider after we leave the EU. The problems on the other side of it are going to be just as much our concern as they have ever been; it is just that we will no longer have a seat at the table in order to influence them. That seems to me to be rather a poor deal. There we are—that is the decision we have made and we will have to live with it.

Q315 Nadhim Zahawi: I just want to come back on that point, Mr Bond. You can flip that argument about our contribution to the stability of the continent into saying that it is something that the continent has brought upon itself by making some pretty bad decisions, including one around the single currency, and those problems were simply being kicked down the road, but let's put that to one side—we are not here to argue about those things. The people of Europe will decide whether political elites were right or wrong on the single currency.

You sort of half-dismissed Mr Holloway's point about making security and defence very much part of the pretty strong negotiating hand that we may have. It is in our interests, of course, for Europe to remain secure and stable. My understanding around security is that we are a pretty major



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part of that stability and they would need that. Therefore—certainly if I was negotiating—that would be one of the cards that I would play up front. I think that was the point being made by Mr Holloway. You slightly dismissed that by saying that that was quite straightforward and there are more difficult things. If you are going to go into a negotiation, you would want to play your big cards up front, wouldn't you?

Ian Bond: I am not sure whether you are implying that we should say that if we do not get a good deal on trade that we should stop co-operating on defence and security.

Q316 **Nadhim Zahawi:** I am implying it is one of the areas where we have a real strength and you would put it on the table. If we want a whole deal, holistically, that is certainly one of the things that we can bring to the table.

Ian Bond: But then the—

Q317 **Nadhim Zahawi:** The flip side is that if the EU decides to cut its nose off to spite its face, that's then its judgment, but we are putting these things on the table as our offering for a good deal.

Ian Bond: Right, but is the implication of that that if you didn't like what was offered on the trade side, you would take off the table any contribution to—

Q318 **Nadhim Zahawi:** You have to negotiate everything, right?

Ian Bond: But that seems to me that we would be putting the security of the United Kingdom doubly at risk, both economically—because presumably the EU will then say, "Well, fine, go out on WTO terms and see how—"

Chair: I don't think it's the United Kingdom that said nothing is agreed until everything is agreed.

Ian Bond: Perhaps I am misunderstanding the question, Mr Zahawi.

Nadhim Zahawi: No, you're not; I think you're choosing to misunderstand it.

Ian Bond: No I'm not.

Q319 **Nadhim Zahawi:** I'll tell you why: the EU has said that it wants to agree everything at once. We have read in the media that our team have put forward pretty constructive points around EU citizens and securing their position in the United Kingdom, and vice versa with our citizens in the EU, but the EU has chosen to push that back and say it will not negotiate anything until we negotiate everything. That is the Chairman's point.

One of our real strengths is around security. Of course, you lead with one of your strengths—that is the point. However, you're almost reversing that as a sort of weakness for us, as if we shouldn't even think about going and saying that, "Actually, this is one of the things we can deliver for you in a big way if you deliver the following for us." Of course, there



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has to be an "if". In any negotiation, you cannot go in saying, "I am so weak. I've got nothing to offer you here."

Ian Bond: Right, but if we go down that road, what are we saying we would not do for the EU if we did not get what we want on the trade side of the negotiation?

Q320 **Chair:** We would not be involved in CFSP structures, for example.

Ian Bond: Right. Is there any benefit to the UK from not being involved in those structures?

Chair: Yes. We don't have to give a—

Ian Bond: Sorry, I know I shouldn't be asking the questions, Mr Chairman.

Mr Holloway: But then we might not be involved in the CFSP structures. Surely that is your point?

Mike Gapes: Cutting off your nose to spite your face.

Chair: There are pluses and minuses on either side of it. We don't have to be in it, and we're then free actors. One of the benefits of becoming free of the EU, and in that sense, a perhaps more uncertain relationship across the Atlantic, is that, although the weather might be stormy, we will be able to set out own path. That is the benefit of being a smaller and freer agent. Of course, that sits against not having the weight of the relationships you've just left. People have to make a judgment about that.

Q321 **Nadhim Zahawi:** Just on that point, I already understand, for example around trade—I know we are not talking about that right now—that there are several pieces of legislation going through Congress and the House to pave the way, before President-elect Trump takes his place in the White House, for a bilateral deal with the United Kingdom. Things are not that dark, in the way I feel you think they are.

Ian Bond: I have just come back from Washington.

Nadhim Zahawi: So have I.

Ian Bond: I heard a senior Republican say, "You should not delude yourselves; we will drive a very hard bargain with the UK."

Chair: We are going to ask—

Nadhim Zahawi: I had a very different message back from Washington.

Q322 **Chair:** Their political timetable is not dissimilar to ours. They have to win the argument for free trade in the United States again, which has obviously been lost with the fate of TPP and, almost certainly, TTIP. There are a number of factors at play that work in favour of a US-UK deal. I want to come back to the issue of security co-operation. What is the interest of the European Union in continued co-operation with the United Kingdom?



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Ian Bond: The interest of the European Union is in the fact that we bring a lot of assets to the table. That is clear, and I fully accept that we do bring a lot of assets to the table. The question is whether it is in our interest to—

Chair: That is not what it sounded like.

Ian Bond: The question is whether it is in our interest to threaten to take those assets off the table. In a sense, I would say that, because we ourselves have an interest in European security and we have no interest in threatening to do something that would lessen European security. It is certainly the case that the EU has an interest in continuing to have intelligence exchanges and to discuss counter-terrorism, so that we would, in one way or another, be associated with Europol.

Q323 **Mr Holloway:** Their workers in the UK?

Ian Bond: I was thinking specifically in the security and defence areas, but yes, indeed.

Q324 **Chair:** But those interests then need to be set against our trade interests. We will then be in an analogous position to our European Union partners, who have an exquisite judgment to make about how much of their interests in a full, free trading relationship with us they are prepared to sacrifice in order to make the political point that there is a price to pay for having the temerity to leave the European Union. We will then be in a precisely analogous position around our security interests and the security relationships you are pointing to. It is about what price they are prepared to pay to put that on the table, set against the security message that then sends to the Baltic states and others who feel vulnerable, and will feel particularly vulnerable where the United States guarantee is slightly more in question than it was before the election of President-elect Trump—they will want the United Kingdom to have the closest possible relationship in every sense with the European Union. Why on earth, if we are entering a negotiation, would we not be playing precisely the same game as our partners?

Professor Whitman: One thing we have to decide on our part is how much autonomy we want from EU foreign and security policy. We may want to be contributors, but to what degree? To what extent do we want to continue to follow the EU foreign and security policy in Ireland? How much do we want to allow ourselves the opportunity to pursue policy that may start to drift away or diverge from EU policy? There is a question for us also in terms of how much autonomy we want to seek if, when we look at other kinds of relationships with the EU on foreign and security policy, there is not necessarily the degree of flexibility that would be suitable for the British case and the British contribution.

Q325 **Chair:** But if we found ourselves in a place where there is no agreement, we would then be able to make a security agreement with the 27 that was in our collective interest. If we dropped out, would it be relatively easy then to find a mechanism by which we could take effective part in CFSP and be inside the room for the discussions about sanctions on



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Russia and the rest, while the formal decisions are then taken in parallel but separately by the 27?

Professor Whitman: That may be more of a problem for the EU than it is for us, in the sense that they have not tended in the past to allow others in the room, including the United States. What might be a more effective vehicle for us is contact groups, bilateral relationships with other member states and so on. That may deliver more for us in terms of our objectives for foreign policy than some other institutional arrangement that may not give us the same kind of say. It is instructive to look at the EU-US relationship, which is very under-institutionalised. There is not a security and defence policy formal agreement between the US and the EU. It is really done on a series of deals in areas where the US and the EU see it is to their advantage to co-operate, rather than being weighed down by heavy machinery, which requires certain kinds of things to happen in a certain cycle; that is the way the EU tends to approach foreign policy interaction with non-member states.

Ian Bond: There is a certain amount of machinery as well, but the machinery is not necessarily the place where the real decisions get taken. Council working groups meet with an American representative once a presidency or whatever in many areas. There are regular video conferences between the State Department and the External Action Service, but the real substantive discussions often go on outside those formal structures, which is why both of us have made the point about needing to have the bilateral infrastructure in place as well. It is a question for my former colleagues in the Foreign Office, but the resourcing of that is very important.

Q326 **Mr Hendrick:** To some extent this question has been answered, but what might post-Brexit arrangements for UK participation in the CFSP look like in practice? Are EU states likely to be willing to invite the UK to participate in decision-making forums? To some extent you have answered that question by saying that there will be a great deal of bilateralism instead of the arrangements that we would get through the EU. What would be the likely costs and benefits? I am not comfortable with Mr Zahawi's juxtaposition of trade and security as if you would trade one off against the other, because I think that a lot of these interests are mutual interests and not necessarily conflicting interests. To emphasise the point again, how much do you feel we can take part in or influence decision making from the outside? What sort of issues—perhaps Russia encroaching on the Baltics or something like that—might be involved? I know that may be a NATO issue; let's say outside NATO.

Professor Whitman: Structurally, the EU is quite inflexible in terms of the way it's geared up, from the European Council downwards. You can imagine that you would have EU-plus-one arrangements—European Council-type gatherings with the UK. But as we know, the real work goes on at the level of the political and security committee, the working groups and so on, and there it's a little bit more complicated. The way things have operated to date is by plugging in that a non-member state has been a bit of a problem. I guess the question for us in negotiations is: what is the



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adaptor? How do you take a non-member state of the EU and find a way of putting things together institutionally that makes it worth while on both sides? In other words, you are not just going through the motions, which is what a lot of the—

Q327 Mr Hendrick: Do you think that this might be much further down the road and we are crystal ball gazing when we have not seen how the negotiations have gone yet? I would have thought that if there was, as Mr Rosindell put it, acrimony after the UK leaves, that acrimony might need time to die down before the sort of discussions that we are talking about—perhaps about involvement with the CFSP—happened.

Professor Whitman: From our side, obviously we have to determine our interest in the CFSP, how we see the CFSP evolving and what kind of contribution we might be able to make as a non-member. We could take the view that we find it quite difficult to have influence on the CFSP from the outside or what is on offer in terms of where the EU is offering consultation, so we feel it's easier to do things in all sorts of other ways—with the groups of member states and so on.

I think it would be logical, further down the line, to think about the nature of the foreign, security and defence policy deal that you have between the UK and the EU. On the one hand, it should take account of the UK's interests, which are the stability of the European Union and the contributions that we make, and I guess that, from the EU's perspective, it would be interested in pursuing the agenda that it wants to pursue without us doing what some member states may perceive we have done in the past, which is to veto developments, for example in the defence policy area. Whether we could construct that partnership of equals, as we would see it from our perspective, is more difficult to envisage from where we are at the moment, certainly based on the kind of relationships that the EU has structured with non-member states in the past in the foreign and security policy area.

Q328 Mr Hendrick: I see it as possibly an organisational problem. I don't think anybody voted in the referendum because of the CFSP. It will have been about trade or immigration—that whole range of issues. Our interests in terms of the CFSP have not actually changed at all and won't change from us leaving the EU. To me, it seems to be just an organisational question and not about leadership, as one colleague suggested, because it would still be in our interests to be part of that.

Professor Whitman: Assuming that there are not areas where our interests start to diverge from the other member states.

Chair: Sorry, can you say that again?

Professor Whitman: Assuming that there are not areas in which our interests start to diverge from the other member states.

Q329 Mr Hendrick: Theoretically, that is possible. Do you see any areas where they might diverge?

Professor Whitman: We don't know what the effect will be of us leaving. One thing that we have also been is a key balancer within the EU on foreign policy—for example, between the perspectives of those member states that want to look more to the east and those that want to look more to the south. We have had this important role of sitting in the middle and taking a view about foreign and security policy in the round in terms of what would be good for the European contribution to European security writ large. Obviously, if we are on the outside, we will not be in the same position to do that. What other levers are we going to pull to ensure that the EU does what we think the EU does best? What do we think should go on in other places such as NATO? How far can the other member states be receptive to that message? We need to see what sort of specialist contribution we want to make in Europe and how we want to balance that against the things that we might want to do elsewhere.

Ian Bond: I do think it is instructive to look at the relationship with the US because there is quite a lot of machinery. As I said, there are a lot of formalised, once-a-presidency meetings in various groups, but a lot of the real work goes on in contact groups and smaller formats. Look at the way in which the Iran nuclear deal was structured with the US, France, Germany and the UK, with the negotiations being largely conducted by the High Representative. There are lots of ways in which we need to learn to engage both inside and outside the formal institutional structures.

Q330 **Mr Hendrick:** So what you are saying is that we do not need to develop new structures, as such. We need to design, on the basis of existing relationships, the best temporary structure to deal with any problem that comes up.

Ian Bond: I think that is right. Look at the close partners of the EU, whether Canada, Norway or the US. They all have some degree of institutional relationship and we can copy one of those templates as we like. The ones who have the most influence also have an intensive extra-institutional relationship, whether it is through bilaterals, contact groups or whatever.

Chair: Well, thank you very much indeed Mr Bond and Professor Whitman. I am very grateful for your evidence.