



Select Committee on the European Union

External Affairs Sub-Committee

Corrected oral evidence

Post-Brexit: foreign and defence co-operation

Thursday 6 July 2017

11.15 am

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Members present: Baroness Verma (Chairman); Baroness Manzoor; Earl of Oxford and Asquith; Lord Stirrup; Baroness Suttie; Baroness Symons of Vernham Dean.

Evidence Session No. 3

Heard in Public

Questions 20 - 29

Witness

I: Ms Ana Palacio, Council of State of Spain.

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Examination of witness

Ms Ana Palacio.

Q20 The Chairman: It gives us great pleasure to welcome Ana Palacio, a member of the Council of State in Spain, to this session. I reiterate on behalf of the Committee that this session is in public and is being broadcast live. If there are any inaccuracies in the transcript that is sent to you, please feel free to correct it and send it back to us. Would you like to make any opening remarks, Ana?

Ms Ana Palacio: Thank you. My opening remarks will be very brief. It is a great honour to be here. I am not speaking here as a former Foreign Minister or as any other former incarnation in my life; I am speaking of something that is fundamental for anyone. I came of age under Franco in the late Franco era, and for us this House represented the parliamentary system and parliamentary democracy that we aspire to. So, as I say, it is a great honour to be here.

Perhaps you will allow me two liminal observations. First, I am not a native English speaker, so I ask you for your understanding and eventually your indulgence if I mispronounce or misuse words, or hesitate when trying to find the right word at a certain moment. The second liminal observation is that I am here as a citizen of the European Union, maybe of the EU-27, and I want to keep it like that. I am not representing anyone or speaking on their behalf regarding bilateral relations or any other matters relating to Spain. I will keep out of those issues. My remarks will be general and on the European Union.

Q21 The Chairman: Thank you. Of course we will completely understand if you wish to take a little time to collect the words that you would like to put across to us. If I may, I will start this morning's session with you with this question. In your view, what is the importance of the EU's Common Foreign and Security Policy to a Member State in achieving its foreign policy goals?

Ms Ana Palacio: I had the privilege to attend the previous hearing, and I fully agree that EU foreign policy is a multiplier, a loudspeaker, that has the ability to project national interests. In my day, Spain wanted a common position on Cuba. If it had been Spain's position on Cuba it would have had much less impact. The example was given of the Falklands, and many more examples could be given, but I think there are two other relevant aspects. First, the European Union is a convenor. The world has changed, and I would say that the United Kingdom is not just the second largest economy of the European Union, but a primary guarantor of our security.

Today, the world has changed in such a way that non-state actors play a fundamental role. The European Union will not replace a big, relevant state like the UK, which has nuclear power and is a permanent member of the UN Security Council, but the European Union has this ability to convene and to work in the new networked world that is out there. That is another aspect that is extremely relevant.

If you will allow me, something that has been said about foreign and security policy, but that I think we could highlight, is that security in the broadest sense encompasses defence, but also has other parts that are not purely defence in the classical sense, and that foreign policy goes far beyond diplomacy. This is an area in the making in the European Union, so we cannot address it as if it were a fixed target. It is a moving target, although I do not know whether that is the right image. So I agree with Lord Robertson that stronger co-operation on defence might not get off the ground, but there is a push for it, so it is a policy in the making.

Secondly, whenever you speak about the European Union's foreign and security policy you cannot forget that, although your Prime Minister's Article 50 letter put security and the economy on a par with each other, these are two very different areas and you have to have very different approaches. In a way, foreign and security policy is taking a back seat, which is concerning. I agree with the Prime Minister that security and the economy are on a par with each other in terms of importance; the participation of the United Kingdom in the security of the European Union is as fundamental as it is in the economy. However, everybody is concentrating on the internal market and whether there will be a transition concerning the internal market, whether there will be a customs union, or whatever. Nobody is thinking about how this will be an encompassing agreement, and how we should also think in terms of a transition and what is feasible along those lines in this area.

Then, frankly, not being in the spotlight also has its advantages. Baroness Symons mentioned this influence. It is often easier to discuss something and to speak when you do not have the spotlight on you.

Q22 Baroness Symons of Vernham Dean: That comes to the point of what I wanted to ask you, Ms Palacio. You heard what our UK colleagues said about the impact of Brexit on the United Kingdom's influence on foreign policy in the EU, and among individual EU countries. I just wonder from your position what you assess the impact on UK influence will be. Will it diminish in the way that we heard our colleagues say—quite forcefully, actually—or will there still be a lot of influence because we may not be so much in the spotlight, as you have just put it?

Ms Ana Palacio: I think there are two aspects to influence. One is the idea of decision-shaping. The other is the much more diffused, subtle way in which your ideas will be conveyed and your priorities taken into account. I honestly think, having been at the Foreign Affairs Council, that if you are not there, you are not there. A Norwegian friend talking to me about sanctions to Russia told me, "Your sanctions are much softer on gas than on oil. Had we been there in the room we would probably would have argued about that". Preparation and influencing are fundamental, and frankly you do them very well. As someone who has spent many years in different positions in the scaffolding of the European Union, I do not think there is a better way of influencing than to be present.

However, I think that influence will still be there. If you will allow me, Baroness Symons, the role that the UK played in the Iran question was

the role of influencing in the first place. So that you will continue influencing goes without saying, and it is informal and done through different channels. When it comes to decision-shaping, though, that is where you need some kind of formalisation. In the end you have to be at the committee where the draft is done, and at the Council of Ministers meeting where you add or take away square brackets, because that is how it is done. So of course you will still have a big influence, and if the Foreign Office budget is increased, that will continue. But unless you have a certain formalisation, you will not be able to achieve it.

Baroness Symons of Vernham Dean: So you are not there to take the square brackets off?

Ms Ana Palacio: Exactly. As you very well know, sometimes taking brackets off words is a big thing.

Q23 Lord Stirrup: Even if the UK were invited to meetings where the square brackets were taken off, as you clearly explained, if you are not part of the team that does the initial drafting, the words are not there in the first place for you to discuss. So, to be successful, any arrangement has to be down at the detailed level, not just at the decision-making point.

I would like to turn the question around now: to what extent do you think the UK's absence post Brexit will have an impact on the quality of EU foreign policy decision-making and execution? Following on from that, to what extent would the EU be interested in trying to ensure that the UK was engaged at both the final decision-making stage and the drafting stage of the formulation of EU foreign policy?

Ms Ana Palacio: First, as I said, we are speaking about something that is a moving target. I do not know whether in two years' time, even by March 2019, the EU will be looking to have more formalisation in its projects. Foreign and defence policy has been intergovernmental. Now there is an impulse to have a bit more formalisation—co-ordination, let us put it that way, because it has nothing to do with communitarisation. It is a different process. We have to take perceptions into account, and the perception in Brussels, confirmed by Lord Robertson, is that the UK has been hindering progress in this area. Now, in order to have influence and to see how EU policy will go—whether or not it will be better than what we have now—we have to take those perceptions into account. Frankly, if I have to highlight something—this is certainly true in Brussels, where we need to change perceptions—if you will allow me, and with great respect, a bigger effort needs to be made by the UK if you want to keep your voice part of it and show that you mean business.

Currently the perception is that you are not interested, and there will be certain reactions. Allow me to give an example. On 22 June, there was a vote at the General Assembly of the United Nations on the Chagos Islands. Why did most of the EU not vote with our allies in the first place—with the UK, the US, Australia, Japan and New Zealand? Mauritius asked the General Assembly to pass a resolution to ask for a legal opinion from the International Court of Justice on why the status of the Chagos

Islands was isolated in Mauritius's independence process. The Chagos Islands are a fundamental base for the US in its operations in the east. It is not just that this case involves our interests or those of allies; it is that when you read the explanations for the votes of countries such as Germany or France, they say exactly what the UK had said: that this is a bilateral matter and should not be jurisdictionalised by having an opinion.

So why has this happened? Would there have been the same massive abstention of EU members three years ago? I do not think so. Here we have forces at play that have nothing to do with our common interests; they are to do with these perceptions and with positioning in this negotiation. If there is something that we should address, it is these perceptions, which should be countered by putting on the table how strong our interests are, which go beyond mere geographic or strategic interests. Today, the biggest challenge is to the international liberal legal world order that was created after World War 2, in which we all have an interest.

So, to respond to your question, and I apologise for having given such a long preamble, as an EU-27 citizen I think it will be a great loss. It will change dramatically. It will probably be less Atlanticist—I belong to an Atlanticist country—and be more central European-driven. That does not mean more German-driven, because in the area of foreign and defence policy France will play an important role, but it will be more continental European. So it will be a great loss. It is about not just your projection but, as was said at the previous hearing and I fully agree, your wealth of experience of having been a great empire until quite recently. That is your backbone, which the EU can and should use. It is in everyone's interest to keep the UK as close and as formalised—this is incorrect language, but I hope you will allow it—as possible so that you can influence the decision-shaping. In order to do that, we will need the strongest formalisation. In order to achieve that, we have a long way to go and we need to correct these perceptions.

Lord Stirrup: Thank you. That is very interesting.

The Chairman: Thank you. Lord Oxford, I think that neatly goes to your question.

Q24 **The Earl of Oxford and Asquith:** I think you have answered quite a lot of what I was going to ask. From your own experience, how big a role do you think informal co-ordination between existing EU Member States plays in the formulation of European policy?

Ms Ana Palacio: It plays a very big role in policy-making. On top of that, it has been said that formalisation has a disadvantage: when you have to convene 27 members around the table, that takes time and you do not have the ability to react fast. So there will be formal co-ordination, especially to react to events, as we are in a world where this is not just theoretical; it is a reality that we have to face.

I do not know about the other aspects of foreign and security policy in parallel. I will discuss with Lord Robertson whether the strengthened security policy is going to get off the ground. I think that somehow it will, although probably not to the extent that the most optimistic of the EU 27 wish, because it does not make sense to have such a waste of effort. In the end, the UK has—to put it diplomatically—the most effective army and defence capabilities in Europe.

What the three previous speakers said was correct: we are in a new world where it is not impossible that the US turns more towards its west coast. We Europeans, at least on the continent, tend to forget that the US has a west coast. We tend to think it is just the east coast. So this will go on, and in many respects it could even be in haste, but it will not replace what we are speaking about. We are speaking about a different level that encompasses more implementation of post-crisis programmes, more convening and more co-ordination. This cannot replace first reaction and eventually intervention, which will have to be done with co-ordination among the Member States and, we hope, in co-ordination with NATO.

Q25 Baroness Suttie: I turn specifically to sanctions policy. What do you think would be the advantages and disadvantages of the UK continuing to co-operate on EU sanctions policy, and what do you think the effect would be if the UK did not align itself with a particular EU sanctions policy?

Ms Ana Palacio: First, sanctions matter. There is an important aspect in which the UK for the moment is irreplaceable, which is banking. What happens in banking will have an impact on sanctions. In general terms, I am sorry to turn this around on you, but I have seen Baroness Symons working in precisely this area. The shaping of concrete sanctions on Russia is a good example, and I fully agree with Lord Hague when he said that if the UK had not been there, something would have changed; the tone would have changed. Being part of the EU means that some countries reluctantly have to accept certain decisions that they do not agree with—immigration is a good example—but, frankly, that is not the case for the UK. You have opted out, shaped decisions and participated. For the EU, the situation will change.

I cannot predict what will happen with sanctions, and it will depend on which areas. Regarding certain geographic areas of the world, your proficiency, experience and history will of course be missed. The Chagos Islands vote is contrary to what I am about to say, but on important issues such as sanctions, EU members might just abstain; our interests are absolutely allied. I honestly cannot imagine an important matter where sanctions were being debated and the EU-27 would have a radically different interest from the UK.

Q26 Lord Stirrup: Can I return to CSDP missions? I would be interested in your opinion on whether you think it important that the UK continues to participate in CSDP missions and, if it were to do so, the extent to which it would be able to be involved in strategic planning and policy formulation surrounding those missions.

Ms Ana Palacio: As you very well know, the UK has more presence in civilian missions than in military EU missions. In civilian missions you have a great presence, and I would say that many of the heads of mission do not correspond to the normal quotas: that is, there are a number of heads of mission who are British, and that is important.

On the question of the formal arrangement, you will of course be there to implement and collaborate, but for the moment the models that we have, from accession candidates to Norway, are that they do not shape the mission; they only participate in them.

It is in the interest of the EU, or at least the EU-27. I will show my colours and say that I hope there is a reasonable transition period and arrangements that will give us all time to reflect and see where the world is going, because we are doing all these exercises when the world is changing dramatically. The short answer to your question is that I really do not know. It will depend on how this is formalised. I think it is in the interest of the EU, but it would be a good message if the UK, in a context in which there are now no afterthoughts on issues of sovereignty, participates more in the defence missions of the EU. This could be part of an agreement for an arrangement for more formalised participation. Again, that would play well when it came to perceptions.

Q27 **The Earl of Oxford and Asquith:** Apart from our close defence relationship with France, do you think it will be practical and effective for the UK to reinforce bilateral foreign policy and security co-operation with other EU Member States? Let us leave Spain out of it for the time being.

Ms Ana Palacio: I would say that events will force that. I do not want to paraphrase a very well-known sentence, but we need to be prepared for the fact that events will shape many of these decisions. This is part of the reality of the world that we live in. I will not go into areas that have not been highlighted that much—security in the classical sense—but Lord Robertson mentioned the bilateral agreement between the European Union and NATO. I think that will boil down to bilateral co-operation between Member States in areas such as cyber and technology. In all these areas, there will be rationalisation of our capabilities.

Q28 **Lord Stirrup:** Could I put you on the spot for a moment? Earlier you spoke cogently about the important point of perception in Brussels. Clearly, the fact of Brexit and the triggering of Article 50 have had an important influence on perceptions, but you stressed the importance of trying to change those perceptions. Could you give us some idea of what you think would have the greatest impact on those perceptions from the UK's perspective? What could it do to have that impact?

Ms Ana Palacio: I know that it is not easy, but I hope that we can tone down the debate. In fact, it is already happening. In the area of foreign and security policy, which I mentioned, I will not say that there is a bigger responsibility, because responsibility is shared, but there is a bigger margin of manoeuvre on your side to change the attitude that has dominated, for instance where you say, "We don't want any formalisation

of co-operation in foreign and security policy. We want it to be as minimal as possible". This is not about a co-militarisation, but the UK could put forward a proposal far from the spotlight and say, "The way in which we could contribute and structure it is like this. We should discuss this". We cannot forget that there is the internal market and the sense that the UK is trying to find a back door to cherry-pick from the internal market. How do you do this? I really do not know. I think that, taking advantage of not being in the spotlight, messages can be sent. We should not bring this to the spotlight, but we should have conversations. My experience of recent days in Brussels is that, when I told friends that I was coming here, they were on a different wavelength. They were building what will be the defence agency and thinking about what the fund would be like.

Let me try to rephrase. The impression is that, "Now that they are leaving, we can do our business". I do not think that is in the interest of the EU-27. The idea that there will be a transition and that it is in the interest of everybody that you participate as fully as you can in these areas will influence the other perceptions. This burgeoning structure that Baroness Ashton launched—she had fantastic successes; Kosovo was one, and the Iran negotiation is another—should not be threatened. The UK has been seen as a threat to all these projects taking off. How do you change this perception? Many in the EU-27 would be more than happy to help, but I think the initiative is yours.

Q29 The Chairman: I would like to come back to something that was raised a number of times during the previous session. I just wanted to know your thoughts on the position that the United States is taking, which Lord Robertson said has changed quite quickly. What will your longer-term thinking be, as the EU 27, on how you position yourselves, taking the view that the US may retract some of its commitments to the world order and to Europe?

Ms Ana Palacio: The process is deeper. The world is changing. We are getting into a transactional world. The old structures—the United Nations and all the other post-World War 2 structures—are still there and nothing will replace them. There is also the G20. Those structures are still there but they are weakened. The indispensable nation that the US has been, and I would say still is, albeit reluctantly, is leaving a kind of void. How will this void be filled? I do not really know.

The week before last, I attended a dinner with Henry Kissinger. He said, "This is a moment to create a new world order", but the question is how. On what basis? We are in a different world but we do not have the perspective to see where it is going. What will the European Union do? I hope that it will strengthen itself as much as it can. I should mention the responses by Chancellor Merkel to some of President Trump's declarations. For us, this international liberal world order based on the rule of law is important and we will go for it. What will that boil down to? Frankly, I do not know.

The beauty of the moment that we are living in is that we have many more actors. Although this soft power—the aggregated power—of the EU

does not replace classical power, it is becoming more important. If you read the 2003 global strategy, you will see that it was prone to exaggeration—I am trying to be diplomatic—in what it said about soft power. It does not work like that. The 2016 strategy has a much more balanced and sober vision of where the world is. Where will the world go? Frankly, with what I have called—and I repeat it—an indispensable nation surprising us, we do not know. However, the UK has been an important player in the building of this international, liberal, rule-of-law-based world order. I mentioned the discussion at my dinner with Henry Kissinger. For the moment, we have to navigate by sight as closely as possible to this structure. That is the best response that I can give you, and, frankly, it is not a response at all.

The Chairman: On behalf of the Committee, I thank you for coming and giving us a very honest and candid view, which we appreciate very much. Thank you very much.