



Policy Notes

Brexit: why and how?

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As some of you know I come from a firm Welsh Baptist background and thought in addressing you today I might do so in that tradition, choose a text to divide my remarks into three points and end with a rousing peroration or conclusion. However, I shall abandon that tradition and begin with my conclusion which is that the UK has shot itself in both feet with its worst policy decision since the Suez debacle and created the greatest domestic crisis since the last world war. Not since then has there been such a revolution in the UK's position in the world advocated with such carelessness and disregard for the truth. I appreciate I have to present my credentials for that conclusion before proceeding to address the issues of how this came about and where do we go from here.

I am a war baby. One of my earliest memories is being carried over the wall by my Air Raid Police warden father to the safety of next door's underground shelter with the centre of my home town Swansea destroyed in the blitz and more than 250 people being killed in a single night from the bombing. My first trip overseas was to Recklinghausen in the Ruhr – an exchange visit organised by Churches in both towns. Crossing the channel we boarded our bus and travelled through devastation; practically all the buildings we passed were destroyed with bare shattered walls jutting into the sky. And I have a photograph of me standing on the steps of Cologne cathedral, which by some miracle had largely escaped the allied bombs when all around had been flattened.

Some years later I became involved in student politics and was elected President of the National Union of Students. The Cold War was in full flood and waged as vigorously at the student level as any other. With the young Communists trying to take over the Union I became engaged in mounting a counter offensive ably supported by an ex-President of the Australian Students Union, Peter Wilenski.

My first post with the British Foreign Office was in Singapore and our job basically was to negotiate the terms of British withdrawal from the island Republic with President Lee Kwan Yew. At that time the British Exchequer was contributing more than 20% into



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the Singapore budget and was unsustainable, as was the case with many other British dependencies. Withdrawal meant paying Singapore something like \$1.1 billion in today's money.

I then joined the European Commission after a stint at the British Embassy in Rome. The move to Brussels was not just a belief that it was an economic necessity for the UK to join but that it was also a moral imperative, a belief that forging a new relationship between the old warring nations of the sub-continent to prevent the scourge of war ever being visited upon us again was essential, a belief that civilisation begins with learning about another country and another people, that democracy is people locked in dialogue. What we were about in Churchill's phrase was jaw-jaw, not war-war.

I have been engaged in three referenda. The first was soon after joining the European Commission to fight the referendum in the UK in 1975 on whether the UK should remain in the EU. You will recall that this was the stratagem of Harold Wilson to defeat his left wing anti-EU group led by Mr Wedgwood Benn. The second was in Norway in 1994 on the same issue, and last year I took on UKIP in a public debate in Sheffield. I do not like referenda; it's all ok for the Swiss to take decisions this way requiring both a majority of the public vote and of the cantons having done so since William Tell

shot his famous arrow. However, I will remark that Switzerland was one of the last democratic states to join the United Nations and give women the vote. But in representative democracies the elected parliament is the proper and right place to examine and deliberate on the huge and complex matters involved in major national issues not decided by a simple yes or no.

So how did we get to where we are?

Of course, we have to start with Mr Cameron's rush to hold a referendum on the basis of his alleged deal with the EU. He then made a grave error in not insisting on Cabinet responsibility, allowing its members to campaign as they wished. The leadership of the Labour Party was ineffectual and increasingly seems to have lost its way and is all at sea when there was a clear majority among party members in favour of remaining in the EU. This was allied to a mounting wave of distrust in politicians of all hues, and perhaps most importantly, Farage, Johnson, Gove and their cohorts waged an impressive and effective public relations campaign, most of them coming from a press and public relations background. There were simplistic slogans, populist appeals and no respect for the truth – 'Alternative facts' as they were termed with the Trump ascendancy – ends justified means. The three main lies were:

1. Sovereignty

'I want my country back.' The reality is that in today's world national sovereignty lasts as long as it takes for you to use your cursor and with a few strokes transfer millions of dollars or whatever anywhere in the world. Geoffrey Howe, a good Welshman once said that sovereignty was not like virginity – now you had it now you didn't. Europe was no longer a walled-in continent; borders were open, walls were porous, and Mr Heseltine commented that a man in the Sahara Desert was completely sovereign and completely useless.

Europe is also now a continent of multiple allegiances. My friend Paolo in Castel Franco di Sopra in Tuscany once said to me 'You know first I am Tuscan, then European, and third maybe Italian.' And in Belgium a person can owe fealty to Flanders or Wallonia and to Belgium and to Europe.

But the PR moguls of the leave campaign were deft in creating the illusion that somehow the UK had been constantly overruled by the mighty men of Brussels. A complete nonsense. The reality is that that the EU cannot dictate to its member states. Its policies are ones that the UK and States have agreed, sanctioned and put into legislative effect. If you look at the records in the House of Commons library you will find that of ALL legislation passed by parliament over the past two years, only 13.2% even mention the EU. And even in regard to decisions taken by majority vote (for example, concerning the single market) the UK view has prevailed in nearly 90% of all such decisions taken.

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2. Cost of Membership

You will remember the Leave campaign van with large lettering on it saying that the UK was paying £350 million into the EU every week. Again, utter nonsense. The reality is that the UK contribution amounts to around the equivalent of half a Mars Bar per person per week. More importantly, consider that of all UK Government expenditure less than 1% is spent on the EU, which is about 0.5% of GDP.

3. Immigration and the Threat from Turkey

Here the Leave campaign people deliberately conflated the refugee crisis and the immigration issue, ignoring the fact that more people came into the UK from outside the EU than from within, and that the UK was not a member of Schengen and able within existing rules to determine who might enter the UK, how long they could work and how long they could stay or claim benefits. The Treaty of Lisbon Articles 45 and 46 are clear on the question of freedom to travel as distinct from freedom to work, and the need to balance labour supply and demand. Further they ignored that ALL analyses had shown that immigration had been of net benefit to the UK, that the UK took in fewer refugees than, say, Norway, or that membership of the EU by Turkey was way into the future, if ever.

The arch Brexiteers played the xenophobic game with a deliberate demonisation of foreigners: aliens beginning at Dover; fog in channel-continent isolated; or Briton killed in French thunderstorm. And remember Johnson's jibe about Obama's Kenyan father, ignoring that his own great grandfather had once been Turkey's foreign minister, or the Farage poster showing a queue of immigrants in the style of 1930 Nazi propaganda, or the UKIP video showing a woman in the EU flag being raped by dark skinned immigrants.

Was it any surprise that in the month after the referendum hate crimes in the UK rose by a staggering 47%? And it was no surprise that the LSE study we discussed in this room some weeks ago showed with the utmost clarity that UK society had seldom before been so divided and bitter, and it was a bitterness that would persist.

Before addressing 'where do we go from here?' let me just say that one friend who heard that I was going to do this speech asked whether I would give the other side. I thought hard about it but could not find any virtue in any of the proffered arguments of how the UK would be better off out than in.

However, I recalled the debate I had taken part in at Sheffield a month before the referendum against a UKIP speaker. In question time the President of the local Conservative Party which had organised the event got to his feet and recited that piece from Shakespeare: 'This royal throne of kings, this sceptred isle, this happy breed of men, this precious stone set in the silver sea, this blessed plot, this earth, this England'. This, it seemed to me, epitomised a certain view about standing alone, removed from what was seen as the fetters of Brussels. 'Make us number one again'. Proud and defiant, hankering after a rose-tinted past, and rooted in Imperial nostalgia and myths about British exceptionalism. Very similar to Trump's 'Make the US great again', meaning 'make the US supreme again'.

You may remember the US secretary of State Dean Acheson in the 1940s once saying that the problem with the UK was that she had lost an Empire and hadn't discovered a role. But she did discover a role in the EU, and made a significant contribution to its development since joining in 1973. The UK was the main initiator of regional policy and creation of the regional fund, which saw huge development in the poorer regions of the Union, expanding the EU aid program to a wider range of countries. The UK was a leader in the enlargement of the Community, and main mover in the establishment of the single market under Lord Cockfield.

Where are we now?

We are faced not just with a so-called hard Brexit but a Brexit at any cost: out of the EU, out of the single market, out of the customs union, withdrawal from EURATOM, no more sharing of experience to combat drugs or people smuggling, out of Europol, no participation in intelligence gathering on threat from, for example, ISIS, out of the Medicines Agency, and the sad litany goes on. I am convinced that the Government simply had no idea of the implications of its rush to exit and had little or no idea how to proceed. Mrs May's mantra was, 'The people have spoken', although the referendum was advisory only, not mandatory.

The PM clung to her end of March deadline for initiating article 50 to launch the two-year period of negotiations with the EU. She would not allow any amendments to the Bill presented to the House of Commons but had to yield to the court case, which went against her on allowing parliament a say on the conclusion of the negotiations. The Government also had to deal with two amendments from the House of Lords insisting that there be proper debate in Parliament on the terms negotiated and ensure that EU citizens working in the UK are given permanent resident status, and vice versa for UK citizens in the EU.

Let me now illustrate the degree of complexity the UK faces in future negotiations.

There are around 35 chapters in the Accession Treaty to be negotiated in the withdrawal process – all 27 member states have to accept the conclusions of the negotiations and one veto can negate them.

No negotiations can be even begun with third countries until these are concluded. Neither in the Bill nor in her speech to Parliament did Mrs May offer any security regarding UK nationals working in EU countries or the EU institutions, nor was there any indication of what might happen to financial services and the impact on the City of London, e.g. would banks still have access to EU markets and retain the common financial passport? There was also no reference to fifth freedom rights for UK airlines, for example, would they still be able to fly freely in the EU? Nor was it clear whether the UK would still be able to participate in the common energy market, common research projects and student exchanges such as Erasmus.

And for me, after nearly 30 years working in the Commission, perhaps the biggest loss – which is little mentioned or appreciated – is that in the event of a Brexit, there would be no more UK participation in the daily grind of literally hundreds of meetings – meetings held every day across the 28 countries of experts or civil servants debating a myriad of topics to arrive at conclusions for the benefit of all. It is tedious and often boring, but this is the glue which has enabled the Community to overcome any number of crises. This is the basic stuff of the building of what is perhaps the greatest example of sovereign states cooperating for the common good the world has ever known. Mrs May would argue of course that many of the issues adumbrated would be sorted out during the negotiations, and there is a degree of truth in that.



Brexit: why and how?

Let us examine the three priorities Mrs May listed in her speech.

1. Trade

The UK would become the champions of free trade in the world. How? If the UK goes over the precipice and there is no conclusion in the negotiations with the EU, then the UK would have to rely on World Trade Organisation (WTO) terms to govern commerce. The Confederation of British Industries (CBI) estimate is that this would diminish UK GDP by between 4 and 5%. Even Mr Hammond, the UK Treasurer, had to admit that such a scenario would see a five-fold increase in customs declarations. And how on earth does the PM think that the UK would receive a better deal going it alone than when the UK is a member of the largest trading bloc in the world? And it is downright silly to imagine that the EU would agree a better deal with the UK out rather than in, or that third countries would give the UK a better deal than they have with the EU and a market of 500 million people.

Take for example the US and Mrs May's cringing trip to see Mr Trump to seek a trade deal when the reality is that UK trade with the US is only one third of the UK's trade with the EU, and we know enough about Trump to understand that a deal with him will be his deal or no deal. Should we join a Trump camp that wants to eliminate the EU, cast doubts about NATO, cosy up to Putin and abrogate agreed rules on international trade, territories, freedom of movement, refugees and climate change? Do we really want the UK to become a vassal state of the US?

2. Immigration control

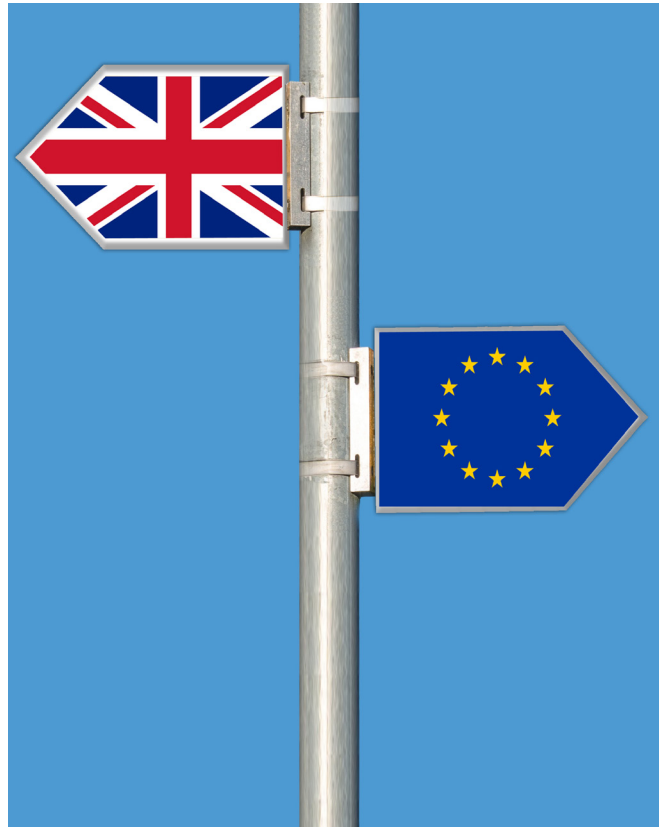
Most commentators now agree that any of the suggested schemes to limit immigration will have limited or an injurious effect on the UK economy. Let me give one example, the UK farming sector is uniquely vulnerable. There are 86 agricultural products in the UK subject to tariff rate quotas. After a Brexit the UK would have to renegotiate all of them.

3. Escaping the jurisdiction of the European Court

Mrs May said that the UK courts would in future determine all issues, that the UK would incorporate all EU legislation into UK law. I have to admit I still can't get my head around this one. For all the new free trade agreements the UK would hope to negotiate there would of course have to be some kind of separate Court of Appeal to arbitrate on disputes. She also said that the UK would negotiate sectoral deals for key industries such as cars or financial services. The reality is that a sectoral approach simply won't work: the EU will not allow favoured access only for certain industries, and WTO rules do not allow it. The WTO accepts Free Trade Agreements and customs unions, but only if they embrace – and I quote – 'substantially all the trade'. Mrs May's tub thumping a strident nationalistic strain elicited a number of interesting headlines in foreign papers the day after:

'Little Britain', 'UK opts for isolation', 'Wilful mutilation',
'I want I want I want'

The latter produced a comment from a French journalist to the effect that in France, when someone wants the impossible, they say they want the butter, the money from the butter and the dairy maid's smile (or more vulgarly they want rather more from the dairy maid than a smile).



And what of the implications of Brexit for the UK?

Northern Ireland. This is likely to be the first real headache the Government will have to face. You can get a whiff of what might happen from the very rancorous campaign currently underway. Mrs May has said she will ensure a 'seamless border transit'. How? The Good Friday Agreement was about removing barriers and integrating across the border. Before, there were but 20 crossing points. After the agreement there are now over 200.

Every month 177,000 lorries, 205,000 vans and 1.85 million cars cross the border. After Brexit the border between the UK and the EU will be between NI and the Republic, and according to a past head of the Commission legal service: 'If NI is not part of the EU customs territory then there is a customs border – a seamless border is impossible, at least for the Republic, because it is obliged to obey EU law'.

Scotland. Mrs Sturgeon has insisted that she will not call another referendum on independence until she is sure of a positive result. She has also insisted that being outside the single market would adversely affect Scotland.

I see little chance of a UK Brexit and Scotland being able to remain within the single market or the customs union. If and when Brexit becomes a reality and the adverse consequences begin to bite, I believe Mrs Sturgeon will call for independence, and this time she will win.

Wales. The most interesting development of late has been a joint agreement between the Labour party and Plaid Cymru, like Scotland also insisting that Wales remain within the single market.

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Let me leave you with some final thoughts.

It is indeed a strange irony that the EU is now more in the news than it has ever been in the UK since she joined. You now have many small Britain-for-Europe groups sprouting like spring cabbages all over the UK. Recent polls suggest that 90% of voters want to remain within the single market. A cross party Parliamentary committee on Brexit has called for transitional arrangements to be made. The hard right is getting more and more strident: any opposition to Brexit is now being categorised as anti-democratic.

I am no apologist for Mr Blair, and his actions over Iraq are unforgivable. However his recent speech on Brexit resonated well with me: inter alia he said: 'People voted without knowledge of the terms of Brexit. As these terms become clearer it is their right to change their mind. Our mission is to persuade them to do so.' I still believe that when the reality of the dire consequences for the UK emerge there is a possibility that it will never happen and the UK will withdraw its bid to leave after either another referendum or a general election fought largely on this issue.

I would argue the following:

- > Suspend article 50, or put it on hold, carry out the negotiations with the EU and then see what the elements of the divorce amount to.
- > Persuade Parliament to exhibit some guts to say RENEGOTIATE, or hold another referendum.
- > The EU should produce a white paper arguing for the closest possible relationship with the UK if Brexit transpires, since it weakens both.
- > Discard negative rhetoric.
- > Take the democratic initiative. Mrs May wants negotiations behind closed doors. The EU should do the opposite and report regularly on the negotiations to European Parliament.
- > The EU should indicate unilaterally that it will extend the negotiating period if necessary to arrive at a result.
- > The EU should signal early that Scotland would be welcome to join in the event of independence. The Spanish concern about the situation with Catalonia is irrelevant. Spain is not trying to exit the EU.



Finally let me say that for me, membership of the EU remains a moral issue and affects profoundly what kind of society we are or want to become: one that says 'Stop the world, I want to get off!' Or a society that recognises that we are part of the human drama. Do we want to shore up the political order or dilute it?

You don't have to love the EU any more than you love your local council, but recognise that the EU with all its problems has achieved a degree of cohesion and common purpose greater than the subcontinent has ever known, where more than three generations of Europeans know of European war only through history books.

I too want my country back: where cooperation is more important than competition, where working together is better than going it alone, where we build bridges and not walls, where people are kind and tolerant and decent to one another, where hope conquers fear, and where racism has no place in a civilised society.





Aneurin (Nye) Hughes had an eminent career with the British Foreign Office and was Head of the European Commission's Delegation to Australia and New Zealand from 1995 to 2002. Mr Hughes has an intricate knowledge of European affairs, having first joined the Commission in 1973 at the time of the UK's accession to the European Community.

Prior to joining the Commission, Mr Hughes' diplomatic career in the British Foreign Service included postings to Singapore (1968-70) and Rome (1971-73). His career in the Commission included work as a Director in the Commission's Information Services and as Chef de Cabinet to European Commissioner Ivor Richard (1981-85) during which time he made his first official visit to Australia. He retired to Canberra from Oslo.

Mr Hughes' interest in politics and foreign affairs goes back to his student days. He was elected President of the National Union of Students (1962-64). Mr Hughes was born in Swansea, South Wales and graduated with double honours in Welsh and philosophy from the University College of Wales. He speaks six languages and is the author of numerous articles, pamphlets, essays and editorials on EU-related issues.

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