

# “Brexit”: Consequences for the EU, NATO and Portugal

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## **Abstract**

Keynote Speech at the international seminar organized by the National Defense Institute on March, 28th, 2017, “Brexit’: Consequences for the EU, the NATO and Portugal”.

## **Resumo**

*Keynote Speech do seminário internacional organizado pelo Instituto da Defesa Nacional em 28 de março de 2017, intitulado “Brexit’: Consequences for the EU, the NATO and Portugal”.*

Following the UK Referendum last year, I have found myself regularly being asked for more detail on a huge range of topics ranging from our aspirations with regards to the single market across to our future relationship with European Union (EU) defence and our level of commitment to defence cooperation in the EU and of course NATO.

In my remarks to you, I would like to set out the UK Government’s approach to Brexit and, I hope, answer some of these questions. But before I do, I would like to say a word or two about the UK on the eve of the formal triggering of article 50.

We do not underestimate the magnitude of the decision that was taken on 23 June 2016. It means Britain must face up to a period of momentous change. It means we must go through a tough negotiation. It means accepting uncertainty. But in 2017 the UK is a country that is facing the future with confidence.

The UK will remain a global foreign/security policy actor and as we have said many times; we were leaving the EU not Europe. European security is vitally important to us and will remain fundamental to our interests. The UK will therefore continue to work closely with the EU on foreign and security policy issues.

As our Foreign Secretary recently said: *“The ‘Brexit’ vote does not mean the UK is becoming isolationist or turning our back on the world – The UK’s future role is to be a Flying Buttress – supportive of the EU project, but outside the main body of the church”*.

To put things into context let me discuss, in the first instance, our economy. The UK is the world’s fifth largest economy and was the fastest growing G7 economy last year. GDP figures show the economy grew by 0.5% in the three months following the Referendum. And the Bank of England last year upgraded the forecasted growth for 2017 to 1.4%. Employment remains at a record rate of 74.5%, with 31.8 million people in work.

We are ranked in the top 6 countries in the world as a place to do business. And it shows: the number of UK businesses is at a record high, with over one million more businesses since 2010.

The UK is ranked fourth globally in Good Country Index, as well as being ranked first for global contribution to Science and Technology. London is ranked number one for business, finance and culture in the seventh annual PWC Cities of Opportunity index. Last year, we were ranked third in the 2016 Global Innovation Index.

Since the Referendum, companies across a range of sectors have shown continued confidence in the UK, including through: the £24bn acquisition of UK-based technology firm ARM by Softbank; a decision by Nissan to make its new Qashqai and X-Trail models in Sunderland; a £275m investment by GlaxoSmithKline at their UK manufacturing sites; the floating in London of the first ever Rupee-denominated bonds to be issued outside India; and a decision by the US for the UK to serve as a

global support hub providing maintenance, repair, overhaul and upgrade services for F-35 aircraft components.

The UK's reputation for being a leading tech hub has been confirmed by investments by Facebook (expanding its presence in the UK by 50%), Apple (creating new UK HQ), Google (recruiting 3,000 new jobs) and IBM (planning to build four more data centres in the UK).

The UK has a long and proud history of supporting and promoting peace, security and the international rules-based system. Our commitment to extensive security cooperation with our international allies remains steadfast and as important as ever. After we leave the EU, we will remain committed to European security and want to add value to EU foreign and security policy.

The UK remains fully committed to NATO as the cornerstone of European defence. We want to use our tools and privileged position in international affairs to continue to work with the EU on foreign policy, security and defence.

Whether it is implementing sanctions against Russia following its actions in Ukraine, working for peace and stability in the Balkans, or securing Europe's external border, we will continue to play a leading role alongside EU partners in buttressing and promoting European security and influence around the world.

Our objective is to ensure that the EU's role on defence and security is complementary to, and respects the central role of, NATO.

Without wishing to labour the point on NATO, I must emphasise the commitment made by all Allies at Wales in 2014 and reconfirmed at Warsaw in 2016 to spend 2% of GDP on defence, of which 20% should be spent on major equipment and research and development.

It is important to the transatlantic bond and Euro-Atlantic security that all Allies, can demonstrate progress towards the 2% pledge at the proposed NATO Leaders Meeting (and President Trump's first attendance) in May.

From our discussions with the United States, it is clear that the minimum they will expect at the NATO Leaders' meeting is that all Allies commit to making the Wales Defence Investment Pledge, including 2% of GDP by 2024, part of their national plans by the end of 2017. It would also be welcome if those under 2% to commit to year on year increases.

It is recognised that Portugal has increased defence spending and this is greatly appreciated. We hope that further increases will be forthcoming in the future.

For our own part, since the Referendum, we have re-confirmed our commitment to meet the NATO target of spending 2% of GDP on defence and the UN target of spending 0.7% of our GNI on development – the only major country in the world to do both.

Before I talk more specifically about "Brexit", I wanted to highlight how and what the UK is currently contributing to CSDP – this is important to consider when we

look towards our position “outside the main body of the church”. We participate in Common Security and Defence Policy (CSDP) missions and operations across the globe. Our priority missions have had some notable successes:

- (1) Operation Atalanta has successfully tackled piracy off the Horn of Africa – this operation is commanded from the UK and we have supported it since it began in 2008. We are naturally following developments of the most recent confirmed piracy attack (against the oil tanker ARIS 13). If this represents a resurgence of piracy in the region (a possibility we have supported consistently in Brussels) it may have a strategic impact on that operation.
- (2) Since 2004 Operation Althea has made a valuable contribution to stability in Bosnia.
- (3) Operation Sophia – The UK has been fully committed since its inception and has helped save more than 15,000 lives, destroyed more than 150 smuggling boats and apprehended 20 suspected smugglers. HMS Echo replaced HMS Enterprise in December last and has already rescued over 2,000 people since going on task. This operation is an important part of the EU’s and UK’s wider migration strategy.
- (4) The UK is also supporting EU-led training of the Libyan Naval Coastguard and will continue to do so. The aim of this training is to increase Libya’s ability to secure its own borders, and focuses on rescue activities and disrupting people smuggling. It comprises various modules ranging from basic seamanship to more advanced specialist skills. A particular emphasis has been placed on law enforcement, human rights and related migration issues to ensure that the Libyan Coastguard starts to develop the appropriate capacity.
- (5) We look forward to the Strategic Review which will address this complex situation in a holistic manner. The UK objective is to secure long-term sustainable funding for the Libyan Naval Coastguard training task as this is the best way, at present, of Operation Sophia disrupting the smugglers’ business model. Additional tasks may only cause confusion over the priority of limited Operation Sophia assets – thus hindering the disruption of the migrant smugglers business model.

Our contribution to civilian missions has helped increase stability in Europe, notably in Kosovo, Georgia, and Ukraine. Further afield, we contribute to efforts to increase stability in Libya, the Occupied Palestinian Territories and Somalia.

Some notable examples of our role in civilian CSDP include:

- (1) EU Assistance Mission in Ukraine: The UK co-sponsored the launch of this mission in 2014, the focus of which is security sector reform. UK deployments have helped to establish a coordinated approach to engagement with the Ukrainian authorities and key actors. This mission is an important element alongside sanc-

tions, our bilateral military support and NATO reassurance, in our wider response to Russian aggression;

- (2) EU Rule of Law Mission in Kosovo: UK Judges, Prosecutors and policing expertise have strengthened rule of law and the capability of Kosovan authorities.
- (3) EU Policing Mission in Afghanistan: UK deployments helped the mission in professionalising the Afghan Police Force prior to the mission closing in 2016.

Although we are leaving the EU, we will continue to play a leading role as a global foreign and security policy actor. We will remain a European power, and will continue to cooperate with European partners to tackle shared challenges.

Defining the UK's future foreign and security policy relationship with the EU, including our interaction with the EU's Common Foreign and Security Policy (CFSP) and Common Security and Defence Policy (CSDP), will be an important consideration as we leave.

I am well aware that this is a topic of great interest to Portugal, other EU Member States, as well as other key partners around the world. The UK currently contributes a large amount to the EU in this area, including through the extensive political expertise generated by our network of embassies and high commissions, our military engagement in CSDP missions, our large financial and operational contribution towards EU development aid, and the contribution we make to the EU's Intelligence and Situation Centre.

We will therefore need to have detailed discussions with EU partners in due course, to understand what kind of future foreign and security policy relationship they would like with the UK in the future, both bilaterally and through the EU.

On this last point, we also aim to enhance our strong bilateral relationships with our European partners and beyond, projecting a truly global UK across the world. The FCO has already begun to reinforce our European missions with additional staff, including our Embassy in Lisbon, reflecting the importance of the Oldest Alliance. These new positions will be vital as we seek to expand and deepen our bilateral relationships.

The UK remains strongly committed to European security, and will remain so after we leave the EU. As one of Europe's biggest military powers, we continue to demonstrate this commitment through action: we have maintained our contributions to CSDP operations and missions, including a substantial contribution to Operation *Sophia*; we have committed to spending 2% of our GDP on defence and 0.7% on development; and we are participating in NATO's Enhanced Forward Presence and Southern Air Policing. As Europeans, we need to work together to improve European security and we are open to considering future/close UK-EU engagement with CSDP if that would serve our mutual interests.

We will continue to engage constructively and pragmatically in discussions on improving the effectiveness of CSDP. But we remain guided by our key principles:

- (1) Nothing should undermine or duplicate NATO, which is the cornerstone of European defence;
- (2) The European defence industry and technological base should remain open and globally competitive;
- (3) And we hope that CSDP will develop in a direction that would not make it more difficult for the UK to participate in future.

We firmly believe that better NATO/EU cooperation will collectively benefit European security, NATO and the EU. The NATO-EU Joint Declaration has given cooperation a renewed political focus in seven key areas (countering hybrid threats; maritime activity; cyber security; defence capabilities; defence industry/research; parallel/coordinated exercises; and defence security and capacity building). The December 16, EU Foreign Ministers meeting endorsed a set of proposals to take forward these seven areas. For the UK, as we leave the EU, this cooperation will be all the more important.

At the same time we are delighted that a key tenet of SDIP is to improve EU/NATO cooperation, information sharing and improving the civilian dimension of CSDP. We stand ready to work with other Member States to take forward these areas.

As we engage in discussions on the future of CSDP we will continue to make clear that NATO is the bedrock of collective defence and work with others to ensure that nothing should undermine or duplicate NATO. We have agreed to take forward other initiatives such as PESCO and CARD based on our key principles that capabilities remain MS owned and that capabilities developed should be available to NATO and UN, not just EU.

I have heard nothing but constructive and helpful statements from the Portuguese Government since the Referendum. But it is no secret that there are some in the EU calling for a punitive deal for the UK that seeks to discourage other countries from taking the same path. That is why Theresa May has also been clear that no deal for Britain is better than a bad deal. And no deal would obviously cause economic damage to others.

From tomorrow, when the Prime Minister will formally trigger article 50, we are confident however that a positive agreement can be reached. We are confident that we will follow a better path because of the shared values and spirit of goodwill that exists on both sides; because it is the economically rational thing for both Britain and the EU; and because co-operation is needed not just when it comes to trade but when it comes to security too.

I want to stress that what we want and what we are proposing is a strong and ambitious partnership, a new, positive and constructive partnership to replace the institutional relationship we're leaving, a partnership that we believe would benefit both sides and respects the integrity of the EU's position.