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The RT Hon Sir John Major KG CH
"The British Exit - And the European Future"

Seventy years ago, in the wake of a war that engulfed Europe and left much of it in rubble, Winston Churchill spoke at the University of Zurich and ended his speech with the cry: "Let Europe Arise".

Although Churchill advocated a "kind of United States of Europe", it is doubtful that he foresaw the EU as it subsequently developed, and equally unclear as to whether he wished the UK to be part of it. His speech, motivated by concerns over security, was a clarion call, not a blueprint: it left all shades of opinion free to claim his allegiance.

But this no longer matters: the world has changed so comprehensively that Churchill's ambitions of so long ago – and whether he thought Britain should be a Member of an organisation which had not then even been formed – rather miss the point.

What *is* relevant is that the war generation, and their immediate successors, were so convinced by the horrors they had known, that they believed – whatever the cost, whatever the sacrifice – Europe must unite to prevent a third catastrophe that more deadly weaponry would make even more destructive than the wars of 1914 and 1939.

It was – and remains – a noble motive. It was also a template for the future. The far-sighted foresaw that a divided Europe would be weak when set against the superpower of the US, or the potential of populous states such as China, Japan or Russia.

The forefathers of the EU embraced Churchill's security concern, and widened it to include political power and economic wellbeing. Their action has led – in *our* time – to the European Union.

And it has had many triumphs. War in Western Europe is now unthinkable. Europe, *pre*-Brexit, is able to treat America and China as an economic equal. Cross-border subsidies have created a far bigger European market. Living standards have risen. The free market has enabled democracy to replace fascism in Greece, Portugal and Spain. It has removed borders within Europe.

These are extraordinary achievements; and yet all is not well. Across Europe there is widespread dissatisfaction with the European project. Europe, *post*-Brexit, needs to re-set its agenda if it is to recapture the enthusiasm and public support that has been lost.

To do so, the EU must be in harmony with Nation States and not act as their over-lord. If this means reform of institutional change, then so be it. It is better to build with public support than against public disquiet. Outcomes are more important than structures. Europe needs to focus relentlessly on making itself stronger, safer and better off.

I am a supporter of the EU or – to be more precise – of the principles and potential of the EU. I share the frustrations of many others over aspects of European policy but, nonetheless, I did wish the UK to remain a Member. I am saddened by the outcome of our referendum, but must respect the decision our country has made. That said, I can understand why the British voted as they did.

At present, the EU is beset by many problems. If it is to meet its potential – as I wish it to do – it will need to be more realistic about its policies: lofty ideals that bypass public concern will not do. In some circles, criticising the EU is akin to behaving badly in Church: it simply isn't done.

This huddling together of like minds is politically unhealthy. Sometimes, uncomfortable truths *must* be spoken. And these truths are most effective if they come from *supporters* of Europe.

Some of what the EU has done should *not* have been done; and much that *should* have been done has been left *undone*.

Thirty years after agreement upon it, the Single Market is *still* incomplete.

Monetary Union was begun at the wrong time and for the wrong reason. New members were admitted before they were economically ready to do so. The result of these decisions can be seen in unemployment and debt across Southern Europe. These risks were known at the time of the Maastricht Treaty – and ignored.

Banking union is inadequate. The financial crisis limps on. The migration crisis grows.

In addressing fundamental issues such as these, platitudes and aspirations are no substitute for hard policy.

Too often, it seems that decisions come only on the heels of crisis, leaving the impression that crisis, rather than far-sighted statesmanship, drives EU policy. And, at the moment, we face policy paralysis because nearly every country fears Treaty change, believing it might be rejected by its Parliament or its electorate. Is it any wonder there is frustration and disillusion?

Often, the Commission – the Civil Service – are blamed for policy errors. This is unfair. They are useful scapegoats, but the true culprits are the Nation States.

The Commission has been weakened – trapped, as it is, between the sensitivities of Nation States and the ambitions of the European Parliament. The Franco-German alliance that once joined with the Commission to drive policy through can no longer do so. Policy differences, and a wider European membership, has shrivelled their authority.

And so has public sentiment. Across Europe, there is more disillusion with politics than I can remember; fringe parties with extreme views are gaining traction.

The British vote to leave the EU is the most dramatic reflection of this disillusion so far, and has ramifications far beyond the UK. My fear – expressed during the referendum campaign – is that the long-term effect of our decision to leave will be to weaken the UK economically and politically. Apart from the fall in Sterling, it has not yet done so – but then, we have not yet *left* the EU.

There will be gains. Britain *will* be freer to make her own decisions, and pursue her own targets. Decisions *will* be made more swiftly. Job-creation *will* be a continuing focus. Britain *will* remain an international trader and *will* try to expand her trading relationships. Regulations *may* be lighter-touch. We will have to innovate.

One key issue for the British Parliament will be migration. Let me express a long-held personal view. I do *not* believe that cutting immigration – a key factor in the referendum debate – will be an economic gain. In fact, quite the reverse. Nor will it be easy.

Skilled European immigration will not end. It cannot. We need it. Nor will it be pain-free to end unskilled migration: who will pick the fruit crops or serve in shops; or clean factories or hospitals or care homes; or undertake the many *other* jobs that native Britons shun?

Ministers have made it clear that we will still welcome a range of European skills; and they are right to do so. Those who voted to leave the EU, believing immigration would fall to very low levels, may be in for an unpleasant surprise.

Once the UK has negotiated her withdrawal from Europe, she may be freer to make domestic policy but will lose some of her overseas political influence. She will no longer be able to influence EU decision-making; will no longer be able to argue for free-trading, open-market policies; and will no longer be able to make the case – from within Europe – for a greater military commitment to NATO.

Nor will the UK be able to press for political action *by* Europe, such as imposing sanctions on Russia over Ukraine; or on Iran to halt her progress towards a nuclear weapon.

Many wonder, as events unfold, whether the UK will change her mind and decide *not* to leave.

The change-of-mind scenario assumes the outcome of the divorce negotiation is so bad that public opinion changes, and Parliament rejects exit. It assumes also that the EU is out of its doldrums; that it rejects a federalist future; that free movement is regulated at times of stress; and that greater nation state democracy is written into European Treaties.

Some of this, I think, *will* happen: it is necessary for the health of Europe. But be in no doubt: a poor conclusion to the negotiations will merely harden the feeling that Britain is right to cease being a full member of the European Union.

So Britain must now choose. She must negotiate either a clean break with Europe, or a new relationship. The public were *not* asked to choose between these options in the referendum.

A clean break involves leaving the Single Market, paying nothing into the European budget, regaining complete domestic control of immigration and applying to join the WTO.

The political trade here is more sovereignty, more control, but *diminished* international influence. As with every option, this gives rise to many practical problems.

First, joining the WTO may be slow, and will need the approval of all the 163 members. Under the WTO regime, exports of cars to the EU, for example, would face a 10% tariff, as well as non-tariff barriers which would be easy to erect. The Brexiteers argue that, because Europe exports more in total to the UK than the UK does to the EU, there will be no difficulties. That is wrong on many grounds.

First, there is a telling disparity. The EU exports only 3% of its GDP to the UK; the UK exports 12% of its GDP to the EU. There is no doubt which country is the *demandeur.* Second, Chancellor Merkel has made clear there will be no "comfortable" sector-by-sector deals: the EU will not enter into them.

The early signs appear to lean towards a “hard” Brexit. If the UK and the EU continue to trade hostile oratory, it may even become politically unavoidable. But even a “clean break” does *not* free the UK of European influence: to trade with EU Members, exporters would still need to meet their standards and regulations, or the market would be closed to them.

The alternative is to negotiate a new relationship with Europe.

This will not be easy. I do not share the blithe optimism of the Brexiteers. The EU will not – indeed *dare* not – offer a deal that is so attractive that other EU members may choose to leave to take advantage of it.

The dilemma is acute. A majority of the business community will lobby for significant, even full, access to the Single Market. The financial sectors – 10% of UK GDP – wish to keep "passporting": the right to offer services across the EU without country-by-country licensing.

So do external investors, such as the Japanese, who argue they invested in the UK believing access to the EU market was secure. Many industries – food, medicines – have niche demands. All this is anathema to Euro-phobic opinion.

The referendum result tilts towards a complete break; yet cold, hard reality suggests a more nuanced, softer outcome would best protect jobs and living standards – and the Government cannot ignore that. It is clear that *no* outcome will command general assent. *None* will be easy to negotiate – or quick. *All* will dismay a wide swathe of opinion.

In wholly separate negotiations, the UK must now agree FTAs with over fifty non-EU countries, where the present arrangements were negotiated *by* the EU but only *for* members of the EU. Once we leave, the UK will no longer be able to benefit from these.

It is reasonable to speculate over whether 65 million Britons will get the same favourable trade agreements as 500 million Europeans. Overall, I have my doubts, but some new opportunities *will* present themselves ….

Japan, perhaps – an old friend that has felt ignored by overtures to China. Or Britain's old trading friends in South East Asia. However, small population countries cannot replace Europe, and the large countries – America, China, India – will give priority to Europe.

In the referendum campaign, prominent Brexiteers promised that deals could be done in quick time – perhaps two years – but it is hard to see how that is possible. A mere handful of deals might be done before the next UK election – but most will take far longer.

If we leave the EU in Spring 2019, we are very unlikely to have a trade deal with the EU in place. We may not be members of the WTO. We may have no new free trade deals. We may be in limbo.

But Brexit is not an issue for Britain alone. The EU itself will be affected by our departure. It will lose:

- Sixty-five million citizens and its fastest-growing economy; potentially, its *largest* economy;

- one of only two powers with a nuclear capacity and a significant military capability; and

- the nation with the longest and deepest foreign policy reach.

This loss will weaken the EU – especially when set against the superpowers of America or China. Europe, the cradle of modern civilisation, is about to become less relevant. This will become more apparent when the UK-EU divorce is complete.

Brexit has harmed the EU in other ways, too: it has energised the anti-EU, anti-immigrant nationalists that are prevalent – amongst other countries – in France, Germany, Greece, Finland, Poland and Hungary.

These Parties come from the far right of democratic politics. Their policies are far from the pragmatic consensus minded politics that have dominated the growth of the EU for the past 50 years. They have been enthused by Brexit: they have seen the colossus rejected. They are Davids, keen to poke a stick in the eye of Goliath.

Their arguments will now have more vehemence. They have also been greatly strengthened by the daily flood of migrants from the Middle East and Africa. As the sheer weight of numbers overwhelms Europe, the nationalists gain in support.

Across Europe, public reaction to the migrants is mixed: some is open-hearted and sympathetic, but the majority mood is fearful. It is made more so because Governments appear helpless – and are portrayed as hopeless. They are not in control of events. It is fertile ground for extremism.

Today's refugee problem is an echo of the 1930s. So is Europe's inability to agree how to manage the flood.

In 1938, a conference met in Evian, France, to decide how to deal with the hundreds of thousands of displaced persons – mainly Jewish – forced out of Germany and Austria by Hitler's policies.

Everyone sympathised, but no-one offered them sanctuary. Europe, they said, was willing to help – but couldn't: it was "full"; it was "saturated".

This was, of course, nonsense: the population of Europe has more than doubled since then. So, today, the dilemma is even greater; the problem more intense. Europe is *far* more densely populated than 80 years ago and, this time, the newcomers are not from Europe.

Even so, as it fumbles for a policy, it does seem that Europe has yet again mislaid its conscience.

No single Nation State has a credible solution to massive migration – nor could any have, alone; and the collective nation states of the EU cannot agree one.

This lack of a consensus policy – indicative of so much other indecision – damages the perception of the EU. Until the flood of migration diminishes, or a credible policy emerges, Europe will continue to flounder.

The EU has other internal problems. The Visegrad Nations – Czech Republic, Hungary, Poland and Slovakia – are deeply hostile to much of the EU's policy, despite receiving billions of Euros in subsidy. The cause of their disaffection is deeply rooted in history.

As satellites of Soviet Russia, they resented being told what to do by Moscow: now, they react adversely to directives from Brussels. They want a less integrated EU with more Nation State control. And, with years of a Communist past, their Governments are more authoritarian in temperament and policy than those of the more liberal West Europeans. Agreements on policy will be hard fought.

Such disillusion may be a factor during the elections in France and Germany next year.

In France, the key question is not so much who will be President, but how well the anti-immigration far right National Front will do – and whether the new President will have to tack towards their populist policies to win *re*-election?

In Germany, the equation is, perhaps, more complex: will Mrs Merkel run (and win) and – if not – what policies will the new Chancellor adopt? And – crucially – will she (or he) have a supportive Bundestag, or one that is restive and unruly?

At present, a more turbulent Bundestag seems likely: polls and local election results suggest more candidates from fringe parties will be elected at the expense of the current coalition.

If, as seems possible, policy becomes more assertive over austerity, more German-centric, this will add to the anti-German sentiment that is evident in Prime Minister Tsipras's acerbic question: "Are we a European Union or a German Union?". This was tactless in the extreme but – given the economic hardships of Greece – it probably reflects widely held concerns.

Austerity is unpopular. As the Italian Prime Minister said, after a meeting of anti-austerity countries: "Now we are many, we can cause trouble.". And so they may.

Germany will have to balance her demand for greater fiscal responsibility with her own wider interests. She may be the dominant economic and political power in the EU, but she doesn't have unfettered authority. And, without the UK, she is more isolated and has no fellow free-trading, fiscally prudent ally.

Germany demands austerity from debtor nations to protect the Euro. But, whether she gets it or not, she cannot desert the Euro: if she did, then she would be vulnerable. A new Deutsche Mark would price German exports out of the European market.

I mention this not because I forecast it – but to illustrate that Germany's pre-eminence in Europe is more precarious than some believe.

There are too many "ifs" and "buts" about the future path of the EU to make confident prescriptive forecasts. But the central case is that Europe will muddle along: eventually, the Euro will deepen its fiscal rules – but not yet: Greece will stay *in* the Eurozone; Southern Europe will slowly recover – is recovering – but will have to live with high unemployment for a long time.

The Eurozone will be cautious about further enlargement following the dramas over Greek debt: prospective members will have to wait until it is certain they can compete comfortably in the single currency.

Despite rhetoric to the contrary, I think it inevitable there *will* be amendment to the principle of FMOP – to accommodate sudden large flows of migrants. We are told this can't be so because free movement of people is one of the "Four Freedoms" of Europe: but then so is free movement of services which – three decades *after* the Single European Act – is *still* not honoured.

Many years ago, I used to speculate about a looser European Union, with a central core of nations that was highly integrated and an outer core that was not: the EU may yet come to that as Nation States assert domestic sovereignty.

Atrocities in European capitals remind us that terror is a continuing threat. In or out of the EU, the UK will continue to work with any and all partners to protect against terrorism and act to eliminate it.

Jihadism is a threat that we must all confront. Once, Al Qaeda was the threat. Now, ISIS has supplanted it. If ISIS were defeated, others would arise – the genie is out of the bottle and will not readily, or swiftly, be put back. Collectively, we may be beginning to halt ISIS, but no-one should be complacent – terror will be with us for the long-term.

Let me turn to military security – which, of course, brings me back to Churchill's principal concern of seventy years ago.

If, as I fear, Europe does not contribute more to NATO, and America becomes frustrated, what latitude does that leave our Eastern neighbour, Russia, following her annexation of Crimea; her proxy war with Ukraine; her cut-offs of energy; her threats of trade embargoes; her cyber attacks; her hostile rage at neighbours; her bullying; and her encouragement of pro-Russia minorities to ferment trouble in other countries?

Putin's Russia wishes to assert regional power over her neighbours and, wherever possible, chip away at Western influence and American power.

She undermines from within so she can divide and rule from without. She seeks a veto over the policies of neighbouring countries – Ukraine, Estonia, Moldova – that wish to align themselves with Europe. She stirs up dissent in neighbouring countries with disinformation and false reporting.

We need to understand Russia has these abilities and is using them: power politics extends beyond military action.

I am not, and never have been, a Cold War warrior, but we ignore what Russia is doing at our peril. She is a disruptive Power. We should look at her behaviour and how she is exerting influence to enhance her role. Whatever the outcome of the Brexit negotiations, the UK and Europe must surely unite over this threat.

A *united* Europe can help penalise and deter Russia. A divided, shrivelled Europe is less able to do so.

Our world is changing. Nothing *is* as it *was*: little, if anything, will remain as it *is*. I don't only mean Government or Politics or Economics: medicine, technology, the arts, literature – *everything* in our life changes as science advances.

So, uncomfortable though it may be, we must accept change, get used to it and try and use it to our benefit. Change brings many advantages – but it often has a downside too. The global market enhances overall wealth but has widened the poverty gap: we need to maximise the merits of change and minimise its worst effects.