

The Autumn lecture: “Exploring a new relationship between the United Kingdom and the European Union” by Vicky Ford

Abstract of the Edinburgh Discussion

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The President (Mr D. C. E. Wilson, F.I.A.): I am delighted to introduce Vicky Ford, Member of the European Parliament (MEP). In her lecture she will share her thoughts on a new relationship between the United Kingdom and the European Union.

In the past Vicky has been a thought leader on this issue, explaining her views in the European Parliament. She has also set out her views in the media, such as recently in the *Guardian*, and in many continental European publications. We are therefore delighted that she has been able to join us here this evening.

Vicky is Chair of the European Parliament Internal Market and Consumer Affairs Committee. It is one of the most powerful economic committees of the European Parliament. She was elected a Member of the European Parliament in 2009 and is the Leading Conservative MEP for the East of England.

She is a Member of the Bureau of the European Conservative and Reformist Group – the ECR Group – and a Member of the Parliament’s delegation for relations with China.

Vicky is a long-standing campaigner for the need for reform in Europe, focussing on the need to boost economic growth by reducing bureaucracy and increasing competitiveness. She is the lead negotiator for the ECR Group to set the priorities for the European Commission’s annual work programme. In addition to these roles, Vicky is also leading the Parliament’s scrutiny of the proposals to update Europe’s firearms legislation in the aftermath of the Paris attacks.

From 2009–2014 Vicky was a Member of the European Parliament Industry, Research and Energy Committee and also the Economic and Monetary Affairs Committee. She led the negotiations on budgetary frameworks, securing the exemption for the United Kingdom from EU fiscal rules. She was a lead negotiator on reforms to the regulation of international banking and on Europe’s €80 billion Horizon fund for science and research. Before becoming an MEP, she was elected to Local Government in Cambridgeshire.

Prior to becoming involved in politics, Vicky was managing director of a bank and also worked at JP Morgan. She has also been involved in raising money for infrastructure, including roads, railways, telecommunications and electricity networks across Europe, the Middle East and Africa.

Vicky was born and grew up in Northern Ireland. She read maths and economics at Trinity College, Cambridge. In tonight's lecture she will draw on this unparalleled experience to explore the future relationships between the United Kingdom and the European Union and the vital role economic factors have in forging this relationship.

Mrs V. Ford, MEP: As actuaries, you are the experts in identifying risks, analysing those risks and using that analysis to form a long-term view.

This is the same skill set that we need to bring to bear in our consideration of the implications of the decision of the British people on 23 June 2016 to leave the European Union. I am therefore honoured that you have asked me to share with you today my own assessment of the evolving situation.

The Scale of the Challenge

We are at a critical time. The actions and decisions that political leaders here and abroad will take over the next few months will shape the long-term future for our country and its relationship with its neighbours throughout Europe.

It is very important to be well prepared for the negotiations ahead. We need to identify the risks and challenges and to understand both the threats we need to meet and the opportunities that we may be able to utilise as we develop this new relationship.

The Macro-Context

We cannot underestimate the significance of the decisions that will be taken over the next 30 months or so; they will determine our own political and economic future for more than a generation.

As we approach these negotiations, we need to keep in our minds the challenges we will face in the century ahead. Economic power is swinging back to Asia in a way the world has not seen in at least the past 400 years. We face security threats by terrorist groups and authoritarian leaders in our own neighbourhood. For the first time in generations, the most politically advanced nations will no longer be the most economically powerful.

The consequences of this transformation of global power will be enormous.

It is important for us, Europe and the wider western world that we get Brexit right. This is not the time for instability or uncertainty. All sides must put thoughts of punishment firmly behind them. If we are to avoid the fall out of an acrimonious divorce we must all raise our sights.

We should enter into negotiations with a mindset focussed, not just on ending a past relationship, but also on building our future relationship. I believe the vast majority of people across the European Union and the United Kingdom want to find a mature and pragmatic approach.

What kind of partnership do we want to see in 10–20 years between the United Kingdom and the European Union? That is the partnership we need to start building today.

The Micro-Context

Whilst the geopolitical macro-economic context must be kept firmly in mind, we must also fully understand the micro-economic dimension and consider how the agreement will impact on the ordinary day-to-day lives of individuals and businesses across our country and indeed our continent.

In the past few months, I have been criss-crossing the United Kingdom and Europe; meeting local and national businesses, universities, and voluntary sector organisations. As Chairman of the European Parliament's single market committee, I have met politicians all across the European Union. I have listened to their ideas, their concerns, their advice, and their thoughts about what the future relationship between the United Kingdom and the European Union might look like.

I would like to share some of these thoughts with you.

The Need for Unity

A key consideration must be how we bring our country together on this issue. Whilst 52%, of those who voted, voted to leave, 100% of the country is leaving. The decision has been taken. But the terms of our departure are yet to be set and will be determined by an ongoing debate.

This debate needs to unify the whole country and forge a new national consensus both about our own future and our future relationship with our European friends and allies.

I am aware as I stand here in Edinburgh today that a majority of voters in Scotland voted to remain in the European Union. In my own county of Cambridgeshire, the southern half, around the City of Cambridge and the knowledge cluster voted 70/30 remain but the northern half, in the Fenland area dominated by farming and food production, people voted 70/30 leave. Just as my own county was split, so was the result across the whole of the United Kingdom. We need a spirit of reconciliation to work for an agreement that delivers the referendum result voted for by the majority but also reassures the minority.

All my conversations with leaders across Europe reinforce my belief that we are talking about one agreement.

Tonight, it would not be appropriate for me to stray into Scottish politics, but it does appear to me that there is no interest – and indeed in some countries there is active hostility – about any kind of arrangement that would treat certain parts of the United Kingdom differently from the rest.

As many of our partners in Europe have stated, there was one UK-wide referendum with a result for the whole country.

Scotland's relationship with the EU single market is important but its trade with the UK's own domestic market is four times larger and thus four times more important to Scotland than the single markets across the European Union. Just as I seek to find a new relationship that works for both the North and South of Cambridgeshire I believe we will all be best served if we find a future that works for both North and South of the border.

If we are to make progress in the debate, we must consider the wider European context.

Whilst the issues surrounding Brexit are amongst the most important on our domestic agenda, we need to remember that this is not the case in Berlin, Paris, Warsaw, Madrid or Rome.

Other EU Countries have their own political and economic crises. There are elections in France, Germany and the Netherlands, economic growth remains slow, banks are still under pressure, the migration crisis remains acute, and we are facing an uncertain relationship with Russia, which may yet create instability in the Baltics and Eastern states.

Other EU leaders would have preferred not to have to deal with Brexit.

However, some of their concerns may help to reach a more positive cooperative relationship going forward.

For example, security and counterterrorism is a top concern for many. They value the UK's expertise and assistance as well as our history as a strong North Atlantic Treaty Organization (NATO) ally. Our Prime Minister has made it very clear that security and defence is an area where she can see the need for even stronger cooperation between the United Kingdom and Europe, and acting as a helpful ally in this area may aid negotiations on trade.

The United Kingdom and the European Union are significant trading partners. A well-designed market access arrangement would be mutually beneficial. It is important for us because nearly half of British exports go to other EU markets and it is important for them as we make up their largest consumer group. We buy more than we sell and have a large trade deficit.

However, the trade benefit is not spread equally across the other 27 countries: some of them have very little trade with Britain and a new trade deal will need the unanimous consent of all 27 EU countries.

So what are some of the options and issues to consider?

There is no 'off-the-shelf' option. It is vitally important to realise that no "off-the-shelf" existing relationship "model" gives an ideal long-term outcome. The UK's economy is too diverse to follow Norway's path, as to be in the single market Norway needs to accept the vast majority of EU laws without a say. We are too big to have a relationship like Switzerland's where each side would face losing preferential access to the others' market every time there is a slight divergence in regulatory strategy.

Finally, our trading relationship with Europe is too sophisticated for it to be replaced by a cut and paste of the Canada-style free trade agreement as this does not give certainty or stability for key 21st century economic sectors like financial services, or digital.

Falling back on World Trade Organization (WTO) rules as a backstop is high risk for us, since it does not cover services or much of the broader commerce we can sometimes take for granted with the EU. It could result in significant tariffs on many exports and imports. But it would also be destabilising for the rest of the EU, bringing uncertainty for their own trading relationships with other parts of the world and resulting economic risks.

Staying where we are, or were, is also not an option. Of course there have been benefits from being at the helm of Europe's single market. It allows our businesses to trade across a market of 500 million

consumers but I have also seen how its sometimes top-down, one-sized approach can stifle innovation, add costs and handbrake investment. Consider the new European rules for Insurance Companies on Solvency, which are limiting them, our most natural-long-term investors from putting funds into infrastructure, our most needed long-term investment.

Furthermore, there are increasing signs that the single market of the future risks being increasingly less free, more protectionist and far less flexible.

To summarise, we cannot cut and paste anyone else's relationship and we need to find a completely new way forward. This is not trying to have our cake and eat it; it is in the interests of many other countries to find a new way as well.

Three Priorities

The Prime Minister has stated she wants a mature cooperative relationship. She has already outlined three priorities:

- first, to re-establish the UK's own authority over immigration policy, it was a major factor in the referendum decision;
- second, to maximise free trade in goods and services; and
- finally to regain control over regulatory decisions, to be “a rule maker” not a “rule taker”.

These three issues – immigration control, market access and regulatory control – are all linked. Like a three legged stool, if one is prioritised more than the others then it can all become unbalanced.

I believe that many of these items are much more nuanced than often perceived so let me consider each in turn, starting with immigration.

Immigration

When talking about immigration controls, politicians on both sides of the channel risk being locked into positions based on ideological purity, asserting that “free movement of people” is non-negotiable.

We should not underestimate how deeply cherished the right to free movement is in other parts of Europe. Especially for those that were held under Communist rule where there are recent, and often emotionally painful, memories of the heavy restrictions on movement.

However, there are many real world examples that show there already is a broad spectrum of interpretation as to what free movement actually means and many examples of existing controls.

For example, in Belgium, the home of the EU Institutions, it is impossible in practical terms, to move into the country without a well paid job: one cannot access any local services, or rent or buy a property without a social security card and you cannot get a social security card unless you have an employer paying a social security contribution. Many other EU Countries have similar systems.

In Germany, politicians are in the process of removing benefits for migrant workers until they have been in the country for 5 years.

The European Union has preferential single market deals with Switzerland and Liechtenstein. The first is about to introduce new rules so that jobs must be advertised to local people before non-domestic residents and the second has a firm cap on annual migration numbers.

I would urge those who say we must give up on single market access because we need to control migration to keep looking for ways to maximise both objectives and see if there is room for manoeuvre.

Unfortunately, British politicians are hearing repeated statements from the very top of the Commission and from those nominated as negotiators that the single market means “four freedoms or none,” and offering no room for flexibility for the United Kingdom on free movement, whilst turning a blind eye to the manner in which it’s interpreted in their own back yards. This narrative is impacting all elements of the negotiations and if it continues it risks sending the United Kingdom and European Union into a much more detached long-term relationship than may have been otherwise achievable.

Market Access

On Market Access, let us consider what kind of access to the single market might be optimal. “Market access” is about so much more than just eliminating tariffs.

The Department for Exiting the European Union is looking at a sector by sector approach on 50 different areas. Many groups have shared with me their submissions on what they would like to see prioritised in negotiations ahead. So what does market access mean to some of them?

- for the digital entrepreneurs, it is access to cross-border data flows;
- for the car manufacturers, it’s knowing that once a vehicle has passed its safety and emissions tests in the United Kingdom they don’t need to go and get the same vehicle tested and approved again before selling it across the continent;
- for the creative sector, market access includes being able to have a joint action to stop cross-border infringements of copyright;
- for pharmaceutical companies, it is being able to continue to run cross-border clinical trials and to have a single approval for the new medicines or medical devices that result;
- for scientists, it is being able to take part in collaborative research across borders to share knowledge;
- for banks, it’s making sure that once they pass regulatory tests in the United Kingdom they can offer the same mortgages, loans, insurance in other countries with a passport

It is in the interest of negotiations from both UK and EU trading partners to accommodate these. But it is crucial to recognise that not one of these requests will be achieved if we are forced into a trade agreement like the one the EU is signing with Canada, even though this is the most advanced trade deal the EU has ever negotiated. Our long-standing market access relationship with the EU is so much deeper than any of trading relations with other parts of the world.

There is also the Customs Union. Our current arrangement gives the benefit of tariff-free UK/EU trade but also sets rigid fixed rates for our trade with other parts of the world. This needs to be changed if we are to negotiate new tariff rates with third countries. Scotch whisky is probably the most prominent example of an export that could accelerate if the tariffs with third countries could be negotiated bilaterally. India has a 150% tariff on Scotch whisky. The result is that they drink a lot of whisky but not Scotch. If we could abolish that huge tariff through a free trade deal, Scotland would not have enough Glens to keep Indians stocked up and happy.

But, our relationship with the EU on Customs Union has other benefits. For example, it is important for advanced manufacturing and automotive producers that cumulative country of origin rules are addressed. Otherwise they face complexity and additional costs when the component parts are sourced from multiple jurisdictions. Customs Union also enables joint action on anti-counterfeiting, preventing trade in illegal goods and it is underpinned by a market surveillance network of local trading standards officers who share information on dangerous toys, faulty electrical items and harmful cosmetic products. Surely we would want to stay part of this?

Smooth delivery of goods across borders is important. Currently goods that come into the UK ports from other parts of the world can be sent onwards across Europe without needing new customs inspections or checks. This autumn I stood on a Scottish quayside and watched thousands of freshly caught live crabs being loaded into crates and put onto a Spanish lorry for delivering to markets within the day. Some 50% of UK fish and shellfish caught are exported to EU countries. This was an industry that suffered greatly when Operation Stack turned the M20 into a lorry parking zone and delayed channel crossings. Fishermen loathe the Common Fisheries Policy. Almost to a man they voted to leave. Yet, it is crucial for them to be able to sell their fish to the European market without unnecessary barriers.

If full customs controls are needed for goods moving between the United Kingdom and European Union, Her Majesty's Revenue and Customs estimates that the number of declarations would increase from 100 million to 350 million every year. Our port operators warn that this could lead to huge delays at ports and airports. We need to make sure that unnecessary customs delays do not put jobs and livelihoods at risk. 'Just in time' deliveries are necessary for a modern competitive economy.

The UK Government and the European Commission say they are committed to reducing red tape. Therefore, they must look for a new relationship with the Customs Union, which does not create a new tangle of regulations and procedures.

We do need a relationship that avoids country of origin pitfalls, minimises unnecessary border checks and duplicating inspections, and shares intelligence on market surveillance.

Regulatory Cooperation

Let me turn now to the third leg of the negotiating stool: regulatory cooperation.

Fundamental to the single market debate is the thorny issue of regulatory equivalence. If we are to maintain relatively barrier-free trade then continental producers will demand their UK competitors also have to comply with any EU rules and product standards. It will clearly not be politically acceptable if the United Kingdom has no say on those rules, with only a rubber-stamping role like that of Norway.

“Taking back control” of regulations was given by many people as their reason for voting leave and often there *is* too much micro managing through EU regulation. My own in-box has been full of complaints on issues like restrictions on glyphosate weed killer, prohibiting car insurance offers for women and the exorbitant costs of putting a CE mark on each welded joint. All areas where British public opinion does not support a one-size-fits-all EU approach.

However, there are areas where international trade requires agreement on international regulations. Even Lord Dyson, a vocal Brexiteer is now calling for common European standards to be adopted for many of the products he manufactures. Ten per cent of everything we produce in the United Kingdom is exported elsewhere in the European Union and the vast majority of those who make these products say they do not wish to face multiple regulatory regimes. They also want predictable regulatory decision making, where those affected by a change in the rules have a chance to be consulted before the changes are made.

Some of my colleagues ask why we need any regulations or product standards at all; let the market decide they say. But to say no regulation at all? I suggest they try explaining that to an irate Volkswagen owner.

A new strategy is needed. We need a cooperation agreement that allows us to work together on the rules and regulations affecting our cross-border businesses but also respects the rights to regulate separately. It needs to be an arrangement where minor divergences in regulation do not risk closing the door for British companies wanting to access European markets, and vice versa.

This again needs to be a bespoke arrangement.

Some trade experts point to the “regulatory cooperation” model of the EU/Canada trade agreement. But this would not be up to the job for the United Kingdom/European Union. It would not give a British car maker or insurance company the confidence that they will be consulted on a new market rule let alone have their issues taken into a consideration.

Others suggest we should move more of our regulatory cooperation up to a global level, relying on the Basel committee for more detail on their decisions for banking regulation, on the International Organization of Securities Commissions (IOSCO) for securities transaction, on the United Nations Economic Commission for Europe (UNECE) for more global harmonisation on car regulation, more ISO standards on digital and so forth. Where global rule making works well it is helpful but it is not sufficient in itself; to fill all the gaps takes time, it only covers the minority of products or services and it has no enforcement mechanisms.

Furthermore, global regulatory cooperation tends to be driven by the bottom-up not the top-down. It is easier to get a global agreement on the fine detail if you’ve ironed it out at a lower level first. For example, when we in the UK wanted new global rules on how to resolve a cross-border bank failure in the aftermath of the Royal Bank of Scotland, we agreed the broad principles at the G20 but we then nailed down the detail with our EU neighbours first and used that detail to springboard back to the global level.

Instead of Canada-style, or going global we might look down-under. The Australian and New Zealand authorities have long-standing arrangements in working together in analysing situations, coordinating impact assessments and recognising each other’s regulations where similar.

Perhaps we can learn from their experience.

Finding a new approach to regulatory cooperation between the United Kingdom and the rest of Europe does have many mutual benefits. In many areas, the European Union needs UK expertise. For example, the UK's Medicines and Healthcare products Regulatory Agency is the most significant contributor of expert advice to the European Medicines Agency. The European Banking Authority, European Markets and Securities Authority and many others also rely heavily on UK expert contributions.

In the future, we will not have British Ministers in the Council or MEPs in the European Parliament but there is a strong case for the myriad of British experts who take part in specialist stakeholder groups, standard setting bodies and trade associations to keep their seats and continue to contribute. Keeping these seats is not automatic we must push for it and also push to keep seats in areas like the Transatlantic Financial Markets Regulatory Dialogue.

I believe that we should aim for a bespoke UK/EU relationship on regulatory cooperation focussing on key sectors where there is true international need for a cross-border consensus. We should also seek a more objective-based solution, one which recognises that the same regulatory aims can be achieved by means of different pathways, and leaves room for divergences. A new approach will be needed to address the issue of how to resolve disputes; it must allow time for discussions before any sanctions are imposed. This need not be seen as a new concept for the European Union; it is used to the principle by which members used to reach agreements.

Clearly, recourse to the European Court of Justice would not be acceptable, nor would non-public arbitration. But just because the existing models do not fit does not mean that negotiators across the channel have closed their minds to other alternative suggestions, and we should imagine a new forum.

Conclusion

I hope I have given you an additional perspective on some of the important areas for the negotiation process: immigration; market access; and regulatory cooperation.

From where we are today to get to where we need to end up will need transitional arrangements. It is important for both sides that we minimise the cliff edges. Furthermore, if we are to stabilise economic uncertainty in the interim, then there needs to be clarity regarding investment decisions so that those which are taken today do not find themselves suddenly subject to a change of basis – this means establishing grandfathering principles.

I am not trying to minimise the scale of the task – but let us not give up before we've even started.

I hear the siren voices calling us towards a supposedly easier life, those people who say:

- we can't do a deal on migration – so let's give up on accessing the single market;
- sophisticated market access is too hard to achieve – so let's just retreat to the imagined utopia of the rules of the WTO;
- regulatory cooperation is just too complicated – so let's just go for a tariff-free deal.

Well, to them I say: this is not a time for timidity or feint-hearts. We need ambition, confidence and optimism.

Once article 50 is triggered and the negotiation starts, we can get down to the real business. And once we get through all the elections to be fought next year, the other members of the European Union will be able to focus on the details of the negotiation in a calmer atmosphere. We all, in the United Kingdom and the European Union, need to keep calm and negotiate.

Of course our lead negotiators should not disclose all the cards in their hands deck but they need to give enough explanation to shine a light on the pathway for those on the other side of the negotiating table – and they will only be able to do that if we all across Britain stop bickering and start giving pragmatic suggestions and practical support.

We need a deal that is global in its significance and global in its scope. So let us get to work to build a new kind of relationship, a global strategic partnership between the United Kingdom and the European Union, which will help us meet the challenges of the 21st century together.

The President: As chair, I should like to ask the first question. That is based on what you said at the beginning about actuaries being the key risk experts.

How do you think that we, as a profession, can best help to alleviate the uncertainty which the Brexit process obviously entails? Where would you actually most value our expert analysis?

Mrs Ford: First, keep going to your European Expert Group, and make sure you open up the dialogue. What are their concerns about the Brexit risk? What are our concerns?

It is important that the people we are working with across the negotiating tables know that we want to continue to have a cooperative relationship.

The other thing that I have found helpful in this debate since June is talking to the different businesses and organisations that are affected, the local councillors, the local MEPs and the local MPs, and sitting down with them and asking them what their issues are and how they could be addressed. From those discussions, we have found some practical solutions and suggestions. There are issues, such as science and research funding, which the Government are keen to address quickly.

So, it is important to feedback concerns to your local politicians as well as to central government.

Mr D. J. Grenham, F.I.A.: At an actuarial conference earlier this year the keynote speaker, journalist, Paul Mason, said that he felt that there was an 80% chance that we would end up not leaving the European Union either because the deal would be too difficult to do or too unattractive.

Would you share that level of pessimism? What would you think the implications would be of at the end of the day saying, “It can’t be done”?

Mrs Ford: The country has voted, and it is important that that is seen through. When I go into the part of my county that voted so firmly “leave”, they had some good reasons for doing that, and it is important that we understand those reasons.

However, there are various different ways in which the new relationship could be made. None of the off-the-shelf items is perfect; but there are bits of each of them which, fitted together, might be workable.

There is a massive amount of work happening in the European Parliament at the moment as well to look at the different solutions.

From their point of view, a lot of colleagues want to find a practical way forward on making it work so that they can get on with resolving their own issues. There is a lot of politics with high risk and challenging negotiations. We sometimes miss the fact that we are having a discussion in the United Kingdom and possibly think that we are negotiating with one other country or one other counterpart, but there are 27 countries each with their own agenda and issues going on in the background.

We need to make sure that we are aware of all of those. I believe that we need to deliver Brexit and we need to deliver it in as orderly a way as possible.

One of the biggest risks is that if we are too fractured and too inward looking we undermine our negotiating position and will end up with a worse deal than if we try and sing off the same song sheet, even if it is a slightly different variation.

Mr J. E. Gill, F.F.A.: A key issue for us is passporting; allowing us to compete in Europe with European companies. What would your advice be so that passporting does not get horse-traded away on the back of “who wants to do a favour for bankers”?

Mrs Ford: I was a banker for a long time and a managing director of a bank. On passporting, and I am someone who has spent 14 years in financial services, we are talking about the same as for cars saying, “I want to have the single type approval”; it is the same for the drug company saying, “I want to continue to be able to do the cross-border clinical trials and just have one regulation at the end of it”.

It is saying, “I want to make sure that if Vicky Ford is approved to be suitable to sell financial products, be that an insurance product, a banking product or an investment product, if she is approved in the UK, if the product is approved in the UK, then she can go out and sell it across Europe, and vice-versa”.

I say to those who say we need passporting for financial services is, “Yes, but do remember that what you are asking for is not different from what has been asked for in the goods sectors”.

If we go into this negotiation and say, “We need something special just for the City of London” that is not going to be particularly helpful to reach a mutually beneficial agreement.

If we are pointing out that this concept of mutual recognition and equivalence is something that goes through many different industries and is necessary for many different, sophisticated sectors of the economy, then there is a much broader discussion that you frame.

What I would say to the financial services industry is to work with others to make sure that you are working together and not just drowning out these other voices. There are a lot of similarities in their wishes, and Europe does need to make sure that financial services works. Europe’s biggest financial centre is in London and one does need access to it from the rest of Europe, too.

The President: How much EU and single market insight is the UK Government seeking from its MEPs on possible Brexit opportunities and solutions?

That is how much are they asking you, given your insight?

Mrs Ford: Different MEPs are contributing in different ways. Ian Duncan, who is here, is involved in significant discussions on energy and emissions related to energy. My colleague, Julie Girling, is involved in the environmental committee, and other committees. My colleague, Syed Kamall, who leads my political group, is involved in discussions that happen between our sister families across Europe, such as setting up meetings with the Polish Prime Minister and Theresa May. So we are all contributing. There tends to be quite a lot of cross-party work in the European Parliament, which is rare in British politics. The vice-chair of the committee that I work on is Catherine Stihler, who is a Scottish Labour MEP: she works very closely on a lot of single market matters and is very interested in the universities. Often we are singing from the same song sheet.

Our MEPs are beginning to engage in a deeper dialogue with MEPs from other parts of Europe. That is the key, because after the Article 50 negotiations have happened between the 27 different countries and the United Kingdom, it then needs to get voted through the European Parliament. So when Michel Barnier, the chief negotiator, advises it needs to be done by October, that is because he needs to have time to put the vote to the European Parliament before the European Parliament elections in June 2019, with Parliament dissolving a few months before that. Ensuring members of the European Parliament understand the intricacies of the deal is going to be key and we are doing a lot of work to make sure that our Ministers, when they visit are also getting a chance to meet allies and friends and help in other European countries, of whom we have many.

The President: So can you give us any insights into what those non-UK MEPs are thinking and whether their views towards the United Kingdom are changing?

Mrs Ford: There are all sorts of different reasons why people want to try to find a pragmatic, practical relationship going forward. It is not unanimous, clearly, because different people represent different countries, and different countries have different interests.

For example many colleagues in the eastern European states, states which are closer to more security threats, want to keep the UK and our NATO leadership close.

The countries that we are co-operating with on trade policy have often been the traditional, Nordic countries. I have also seen many Spanish colleagues recently saying, “We need to make sure that you stay close because you have been a great ally on lots of industrial policies”.

So there are different reasons why people want to make sure that this does not end up in that acrimonious divorce.

By the way, there are many Germans who want to stay close, too.

Mr T. Murden: I am from the Daily Business News website. I notice that you said that you did not want to stray into Scottish politics. But then you immediately did. I am quite interested in the comment you made about us not bickering, which we do a lot here.

Are you effectively saying that the Scottish government, the Scottish National Party, should just give up on its attempts to obtain some sort of separate deal for Scotland?

Mrs Ford: I see many of my colleagues in Europe actively hostile to the idea of different deals for different parts of the country because of the precedent that sets in their own countries as well.

Let us try to find one deal that gets that level of market access, and let us make that a sophisticated deal that works for Scotland, for England, for Wales and for Northern Ireland.

It is important that we do that because, if you end up carving out a part of the United Kingdom, you disrupt the single market within the United Kingdom, and four times as much Scottish trade is involved in that union, the union within the United Kingdom compared with the union within the single market. So we need to make sure that we keep that stable. More uncertainty is not beneficial and we should aim keep calm and work together to achieve the best deal possible for all.

Mr C. A. Anderson, F.F.A.: The 2-year Article 50 window sounds quite tight to negotiate fully the sort of relationship that you are outlining. How do you see that playing out? Do you think that 2-year window will be extended or do you think we will negotiate something short-term and then will diverge?

Mrs Ford: The 2-year window is narrow. Interestingly, I understand that the people who negotiated the Article 50, and drafted it in the first place, will admit that they never thought it was going to be needed for a big country.

This is why they are now talking about transitional arrangements and how we get from where we are today to where we want to be. Within that transition we need grandfathering so that it is clear that investment decisions made either now, or during that transition, do not end up on a completely new rule base or new tariff base in the future.

That concept of transition is now being accepted by the European negotiators.

It is a question of what that transition looks like. In Europe it can take more than 2 years to agree what sort of weed killer you can use on your garden. This project is much more complicated and we need to have a direction of travel. A Canada-style free trade agreement does not work for many sophisticated sectors. I am concerned to make sure that if we want to get something that is of Canada-plus, we need to make sure that we start at it from where we are today, not having to drop back and then try and move up again.

There is another opportunity to say, "Let us just go on being Singapore. We decide that we do not want to have a conversation on each other's regulations, that you are going to go towards a completely different Europe and we will just leave you and go in our own direction".

That is not in our or Europe's interest. When I talk to people like the UNECE, which is setting the regulations at a global level, or Basel or IOSCO, it is very clear that when the rest of Europe work with the United Kingdom and try to come to some sort of a common leadership first, they are stronger.

We aim to be the more competitive economy, more dynamic and world leading in the future in services, like digital, tech and science. The Government is committed to more investment in frontline science, for example, to keep Google here, and deals like that agreed for Tata Steel.

The President: You mentioned in the context of digital entrepreneurs wanting to prioritise cross-border data flows. For the insurance industry, which many here work in, that is clearly also very important. Can you tell us where you think that is or where it might get to?

Mrs Ford: Data localisation is one of the most high risk areas in which you could see protectionist barriers in the future. If you end up having a trade war and wanting to put up protectionist barriers around your own industry, data localisation is where it is going to start.

Having the ability together to share data and analyse data is vital in so many different sectors, but it has to be done in a way so that everybody feels safe and secure about it. There are often differences of approach; being able to have access to each other's data and work together on data policy; we are in the middle of a digital revolution, and data is at the heart of it.

Mr P. Lojko: I have a question regarding bargaining power between the European Union and the United Kingdom. It seems that we are looking for pragmatic solutions but when you compare the number of, say, trade negotiators that the United Kingdom has, with the number of trade negotiators within the European Union, how important do you think that is in terms of the final deal?

Thinking that both sides want a mutually beneficial deal how likely do you consider it that the deal will be mutually better for the European Union than it is for the United Kingdom?

Maybe a final layer of my question is: which sectors within the United Kingdom would you consider to be most likely to be affected in a negative way in comparison to where we are standing now?

Mrs Ford: It would be very difficult for other European countries to give the United Kingdom a better deal than the one that we have just walked away from in many different areas, but it could be a very different deal. That is why we need to look for those mutually beneficial landing zones. Where are the landing zones in this and why do they still want to work together on a global level?

I would not worry too much about the lack of trade negotiators in the United Kingdom. There are excellent negotiators in the United Kingdom and we have excellent negotiators in different parts of the world. I was with our ambassador at the WTO in the United Nations recently. He has come from working as a Brussels senior representative in our embassy there. They are very, very involved in different negotiations and often quite able to move from one to another.

There is an issue often in the way that the United Kingdom has handled its relationships politically. If I look at many other European countries, they will send their very best young politicians to the European Parliament. They spend a few years there and then return to national government to become a minister. They end up with relationships and friends all over Europe from that.

We have not done that two-way flow between Europe and our Westminster Parliament or indeed here with the Scottish Parliament, enough. So we have ended up not having the same sort of close relationships with others.

Mr M. A. Potter, F.I.A.: You gave a fascinating lecture on all the so many complicated and inter-related factors that would be needed to be preserved to facilitate continued trade between the United Kingdom and the European Union. And it sounds like an awful lot of work needs to be crammed into a short period of time.

Seeing how many factors there were, and how interrelated they were, made me wonder about whether you and your colleagues in Europe, and indeed Theresa May's Government, are actually clear about what the 52% of people who voted to leave the European Union do not like about the European Union and want to leave behind – that is, the factors they do not want to be preserved. Can that be delivered?

Mrs Ford: That is really challenging. During the referendum I supported Remain because I am an economic conservative (with a small “c”) as well as being a Conservative, and see this negotiation as being very complicated and high risk, and if we can mend it from within, let us try and mend it from within.

But we lost. There were many reasons why people voted leave. One of them was immigration in certain areas. Another one was to take back control of regulation. That is why the Norway solution of just cut and paste EU laws on to our statute book does not work.

Another one was frustration; the feeling that Europe does not listen. That risk – to go back to an earlier question – is still very much there. I am not sure that the people in Brussels have really listened.

There were concerns about whether Europe is going to be more and more federal; the European Union would become a super state which United Kingdom did not want to be part of?

One of the reasons why I say that we cannot go back now is that a lot of Europe is now moving into that much more rigid, less flexible approach than maybe we would have wanted. There clearly are some countries which are reacting to the UK leaving by saying, “let us have much more tax harmonisation; let us have a much more centralised control”.

Yes it is difficult and challenging. But one of the good things that has happened since the Brexit decision is this fantastic wave of energy which is coming from the bottom-up, from these different sectors in the economy saying, “This works well. This does not work well. I need to keep this, but I should like to grasp that opportunity”.

Because of the role that I am in, I am talking a lot about what we need to keep because I chair the single market committee. But I can also see that there are many other areas where there are benefits of being able to have a slightly different approach. Maybe this very rigid one-size-fits-all has held us back in the past. So how do we have both this relationship which means that we can work with and cooperate with Europe, but also have those benefits? That is important, too.

There are lots and lots and lots of different reasons why people put that tick to vote leave – including the £350 million poster on some buses! But that is a different question.

Dr D. J. P. Hare, F.I.A.: I should like to ask a question about what has happened in the mindset of MEPs, given what we have seen this year. People may have felt that politics had already gone down the sound bite route, but we “ain't seen nothin' yet”, to quote a previous President of the United States. In terms of what has happened this year, where sometimes facts had absolutely no bearing upon the debate we have seen, has that made MEPs worried about what is going to happen to them at the next election? Has it started any waves about how much engagement there is between the politicians across Europe and, if you like, what is becoming a popular mindset rather than an informed mindset?

Mrs Ford: First of all, all politicians think differently. I do not want necessarily to generalise. Some people rode on that £350 million bus. I did not. This whole issue of post-truth politics is really very challenging.

I find the concept that, if you are going to win an election in the future, you need to be prepared to say outrageous things that you have no intention of delivering just to capture people's attention, is just not the way I work.

In terms of what MEPs think, it is very clear. We will not have jobs at the end of this, or be sitting in the Parliament or chairing the single market committee.

There are some British MEPs who have not necessarily been the most constructive in the European Parliament. There may be some good reasons why people say "I am looking forward to not having you in the room".

Often they were raising valid concerns. Europe does need to change. It was out of touch, and it still remains out of touch, in many areas and I hope that those messages will continue.

What do I see from my colleagues across Europe? There are some who are trying to take the easy way, just leave, it does not matter, just cause pain. But the more time I think there is for them to deal with their own issues back at home and then realise that we can find a solution, I hope will help us find this long-term solution.

This is a time for calm, and diplomacy, and we are not going to get a long-term solution if we just end up telling more and more fibs. That really does not cut it with the serious negotiations that we need to have over the next few months.

The President: Thank you Vicky. I am afraid that we have run out of time for further questions. I should like to thank everybody here for your attendance and participation.

You have given us a lot to think about. I should like to take one example. I was particularly struck by your comments about Solvency II and the impact on the insurance sector. This is something very close to our hearts.

As a profession, we have recently engaged with the Treasury Select Committee on this very issue within the context of Brexit. As thought leaders I hope that we will be called to give oral evidence at the committee hearing.