Inquiry into EU reform and the EU referendum: implications for Scotland

The Law Society of Scotland

Introduction

The Law Society of Scotland aims to lead and support a successful and respected Scottish legal profession. Not only do we act in the interests of our solicitor members but we also have a clear responsibility to work in the public interest. That is why we actively engage and seek to assist in the legislative and public policy decision making processes.

We welcome the opportunity to consider and respond to the call for written evidence on EU Reform and the EU Referendum: Implications for Scotland and has the following comments to make:-

EU Referendum

The UK has been a member of the European Economic Community and subsequently the European Union since 1973. Membership was reaffirmed in a referendum in 1975. The structure of the EU, its decision-making and democratic processes have changed radically in 40 years, just as the world itself has changed.

The Conservative Manifesto for the 2015 general election contained a commitment to hold a referendum on the UK’s relationship of the EU. After the election the Government fulfilled this by introducing the EU Referendum Bill.

As a firmly non-partisan organisation, we do not intend to advocate one view or another in respect of the UK’s membership of the EU. This is consistent with our position in the recent referendum on Scottish independence. We recognise that there are differing views, both within and outwith our own solicitor membership, and that the debate will develop and change, just as it did on the question of Scotland’s place within the UK.

Subject to Parliamentary approval of the EU Referendum Bill, there will be an EU referendum before the end of 2017 and the debate around the UK’s place in Europe will continue. Without taking a position, the prospect of withdrawal raises a number of serious issues to which we urge the campaigners and political parties to give serious consideration as part of their commitment to serving the best interests of the UK and its people.

EU Referendum Bill

In view of the Society’s stance on the EU Referendum, the Society has taken a limited approach to commenting on the Referendum Bill. It raised issues concerning the offence provisions in Schedules 1 and 2 and may seek to have amendments tabled as the Bill passes through the House of Lords.
1. **What are your views on the implications of the EU Referendum Bill in relation to the timing of the referendum, the franchise for the referendum and the question to be put to the electorate?**

   These are essentially questions which the UK Government and Parliament must decide.

2. **What does EU Membership mean for Scotland’s economy and its people? What are the implications for Scotland of the UK leaving the European Union?**

   EU membership has significant importance for Scotland, its people and its law.

   The application of the Four Freedoms under the treaty and the significant breadth of EU law mean that EU law affects most people and businesses in Scotland. EU law covers 20 areas of policy and law:

   I. General, financial and institutional matters  
   II. Customs Union and free movement of goods  
   III. Agriculture  
   IV. Fisheries  
   V. Freedom of movement for workers and social policy  
   VI. Right of establishment and freedom to provide services  
   VII. Transport policy  
   VIII. Competition policy  
   IX. Taxation  
   X. Economic and monetary policy and free movement of capital  
   XI. External relations  
   XII. Energy  
   XIII. Industrial policy and internal market  
   XIV. Regional policy and co-ordination of structural instruments  
   XV. Environment, consumers and health protection  
   XVI. Science, information, education and culture  
   XVII. Law relating to undertakings  
   XVIII. Common Foreign and Security Policy  
   XIX. Area of freedom, security and justice  
   (a) General  
   (b) Free movement of persons  
   (c) Judicial co-operation in civil matters  
   (d) Police and judicial co-operation in criminal and customs matters  
   (e) Programmes  
   (f) External relations  
   XX. People’s Europe

   In total, there are around 3,500 items of legislation from the EU including over 1,000 Regulations, 451 Directives and 254 Decisions. Most EU legislation, excepting that subject to the UK’s opt outs, has been implemented in the UK either directly, by the UK Parliament, or through the devolved arrangements. The UK has opt-outs of various natures in 4 policy areas:-
• The full opt-out from Economic and Monetary Union;
• The semi-flexible opt-out from the Schengen agreement on the abolition of border controls between Member States, where the UK can opt in to participating to Schengen measures subject to the unanimous agreement of the other participating Member States;
• The flexible opt-out from the Area of Freedom, Security and Justice where the UK can choose to opt in to any measures of its choice.
• The special interpretation attached to the reference to the Charter of Fundamental Rights in the UK.

The legal impact is keenly felt by solicitors in Scotland and their clients. These are the following effects:-

(a) the primacy of EU law and the subsequent need for awareness of EU law;
(b) the impact on the Scottish Parliament and Scottish Government; and
(c) the impact on clients.

(a) The primacy of EU law

The European Communities Act 1972 ensures that EU law has primacy over UK law. It has been applied in the UK in relation to subordinate legislation in the decision in R v Secretary of State for Transport ex parte Factoratama Ltd [1992] 1AC603. Accordingly, solicitors must be aware of the EU law in order to assess whether law made in any jurisdiction in the UK is validly made. Under the principle of direct effect, some EU laws create rights and obligations without the need for transposition. EU law covers a large range of legal topics with impact (or potential impact) on a significant number of EU citizens.

As noted, EU law applies in many areas of the law which fulfils the comments made. As Denning MR who said in Bulmer v Bollinger [1974] 2 All ER 1226 “But when we come to matters with a European element the Treaty is like an incoming tide. It flows into the estuaries and up the rivers. It cannot be held back. Parliament has decreed that the Treaty is henceforward part of our law. It is equal in force to any statute”.

Accordingly EU law is a compulsory subject for those wishing to qualify as a Scottish solicitor.

(b) The impact on the Scottish Parliament and the Scottish Government

The Scotland Act 1998 embeds EU law into the fabric of devolution. Section 29 of the Scotland Act provides that legislation passed by the Scottish Parliament “is not law” if it “(d) is incompatible with…EU law”. Compliance with EU law is therefore a basic condition of the validity of law passed by the Scottish Parliament.

Furthermore, Executive competence concerning EU law is also determined by Section 57, Scotland Act 1998 which states in subsection (2) “A member of the Scottish Government has no power to make any subordinate legislation,
or to do any other act, so far as the legislation or act is incompatible with EU law”.

(c) The impact on clients

Solicitors routinely advise their clients, whether they are individuals or businesses, on the impact of EU law and policies. Solicitors do so so that clients are kept informed of their rights and obligations under EU law, are able to enjoy the opportunities afforded to them by EU law and policies, and be defended or seek redress when matters go wrong.

Although the majority of the EU policy output is of a legislative and regulatory nature, it is important not to forget the extent of distributive and redistributive policies by the EU and their impact on Scottish clients: the Common Agricultural Policy; the Common Fisheries Policy; the European Structural and Investment Funds (including the European Regional Development Fund and the European Social Fund); the Research and Innovation Framework Programme (Horizon 2020); and other EU funding instruments of great relevance and importance to Scotland.

EU law also impacts on Scottish clients in many aspects of their daily lives and business.

EU law has relevance for the individual as: an employee (e.g. working time directive, minimum standards in annual leave); a parent (minimum standards in parental leave); a man/woman (equal opportunities); a consumer (food standards; minimum standards in consumer rights; impact of EU competition policy); a business traveller or a tourist (air passenger rights); a patient (EU approval of medicines and medical devices), a person wishing to live in a safe and healthy environment (air and water quality controls), and also as to his or her right to study, work and retire in another EU Member State.

EU law has relevance for businesses as: employers (working time directive, posted workers directive); inventors (European unitary patent); producers (food standards; environmental standards); procurers of services (public procurement); as exporters (common commercial policy); holders of data (data protection directive and the forthcoming regulation); members of an industry impacted by EU level regulation (Agriculture and Fisheries; Banking and Financial Services; Chemical products; Energy; Healthcare; Telecoms and Technology), SMEs or large corporations (late payments directive; competition policy), and also as to their right to sell and provide cross-border goods and services and/or establish business in another EU Member State.

Of particular interest to clients of solicitors when things go wrong, as they sometimes do, EU law has a number of provisions to help seek redress and access to justice on a cross-border basis: in criminal law matters (e.g. the European Arrest Warrant; the European Investigation Order), family law (jurisdiction, recognition and enforcement of court decisions on divorce, child custody and child maintenance – the Brussels IIa Regulation), consumer law
and civil justice (European Small Claims procedure; European Order for Payment).

To ensure mutual trust in the area of freedom, security and justice, the EU has established minimum standards in criminal procedural rights which ultimately impacts on how Scottish clients experience the justice system in Scotland and in other Member States: the right to information in criminal proceedings; and the right to interpretation and translation, to name but two directives in to which the UK has opted. DG Justice of the European Commission is now considering whether it would be appropriate to introduce a similar framework for civil procedural rights.

There are also aspects of EU law which have particular relevance to the legal system and professions, including the Directive on the mutual recognition of diplomas, the Lawyers’ Establishment Directive and the Lawyers’ Cross-border Provision of Services Directive.

What would be the process for leaving the EU including: the legal process for the EU and within the UK; withdrawal from the single market and EU trade agreements; the ending of free movement of persons; and transitional arrangements?

**Article 50 TEU**

Article 50 of the Treaty of European Union (TEU) provides that:-

1. Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements.

2. A Member State which decides to withdraw shall notify the European Council of its intention. In the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with that State, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union. That agreement shall be negotiated in accordance with Article 218(3) of the Treaty on the Functioning of the European Union. It shall be concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament.

3. The Treaties shall cease to apply to the State in question from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in paragraph 2, unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period.

4. For the purposes of paragraphs 2 and 3, the member of the European Council or of the Council representing the withdrawing Member State shall not participate in the discussions of the European Council or Council or in decisions concerning it.
A qualified majority shall be defined in accordance with Article 238(3)(b) of the Treaty on the Functioning of the European Union.

5. **If a State which has withdrawn from the Union asks to rejoin, its request shall be subject to the procedure referred to in Article 49.**

Article 50 suggests a negotiated withdrawal, but the decision to leave does not need the agreement of other Member States. Withdrawal can occur two years after the departing State notifies the European Council that it is going to leave, even if there is no withdrawal agreement.

Following notification of withdrawal, there will be negotiations between the EU and the departing State. It is expected there would be an agreement setting out the withdrawal arrangements. The negotiation period under Article 50 could be lengthy because of the legal, political, financial and commercial issues to be agreed. The parties would have up to two years in order to finalise the withdrawal agreement and necessary amendments to the EU Treaties.

Article 218(3) TFEU applies to the negotiations and the European Commission would make a recommendation to the Council of the European Union (formerly the Council of Ministers), to authorise the negotiations and appoint the EU negotiator.

The Council of the EU, with the European Parliament’s consent then concludes the agreement, acting by a Qualified Majority Vote.

The withdrawal agreement rescinds the leaving State’s treaty obligations. They are also resolved two years after notification of withdrawal to the European Council. The two year period can be extended by agreement.

Renegotiation of a Member State’s terms of membership cannot be conducted under Article 50 TEU. William Hague MP then Foreign Secretary in supplementary written evidence to the Foreign Affairs Committee in response to their inquiry “The Future of the European Union: UK Government Policy” (11 June 2013) wrote:-

“Article 50 of the Treaty on European Union provides a mechanism for states to withdraw from the EU. It is not intended to provide a mechanism for Members States to force a renegotiation of the terms of their existing membership of the EU whilst remaining within the EU. The withdrawal process that Article 50 sets out does not include a period of negotiation”.

The negotiation period under Article 50(2) is to finalise the arrangements for a Member State’s withdrawal. Article 50(4) makes clear that the Withdrawing State cannot participate in discussions about the withdrawal agreement in the European Council.

**The EU-UK withdrawal agreement**

A withdrawal agreement would contain:-

(a) terms concerning withdrawal covering the areas of law and policy; and
(b) transitional provisions allowing EU law and obligations to continue to apply until the process was finalised.

Withdrawal from the existing law or policy issues like the CAP or CPF would require great care in order to minimise disruption. Transitional arrangements for alternative regimes would have to be dealt with in relation to projects and other work funded by the EU. Recognition of rights of establishment, legal rights and obligations under EU law would also be affected. Other issues would be the termination date for participation in EU institutions and bodies and the employment of EU staff members who are citizens of the departing State.

The withdrawal agreement would follow two stages. The first would be the withdrawal negotiations; the second ratification of the withdrawal agreement by interested parties.

The International change process

This process on an international level could need at least 4 treaties:-

1. the withdrawal agreement as discussed above;
2. the continuing EU member states would have to finalise a treaty amending the Treaty on the European Union (TEU) and the Treaty on the Functioning of the European Union (TFEU) in order to repeal all references to the departing country;
3. if the departing country wanted to move from the EU to the European Free Trade Area (EFTA) there would be a treaty of accession; which would need to be approved by the four EFTA states and the departing/joining country; and
4. If the departing country wanted to join the European Economic Area (EEA) in addition to EFTA membership, that would necessitate a separate treaty for accession to the EEA. This treaty would need the approval of the EU, its member states, the three EFTA/EEA countries and the departing/joining country.

Article 50(2) TEU requires arrangements for “withdrawal, taking account of the framework for its future relationship with the Union”.

Ultimately, the complexity of the negotiations and the speed of finalisation would involve the relationship between the EU and the departing Member State: membership of EFTA/EEA; membership of EFTA with bilateral agreements with the EU and Switzerland; a customs union as with Turkey; WTO membership; and Free Trade Agreement under the WTO framework.

The change process in the UK

There would be significant legal changes in the UK:

a) Repeal of the European Communities Act 1972 and a number of other statutes including treaty legislation.
b) amending the Scotland Act 1998, where the Act constrains the powers of the Scottish Parliament (Section 29(2)(d)) and the Scottish Executive (Section 57(2)) not to act in a manner incompatible with EU law.


d) EU secondary legislation, i.e. the regulations and directives and decisions derived from the principles and objectives set out in the Treaties and which make the bulk of EU law.

The laws of both the EU and the former Member State are likely to change and evolve in a number of ways:-

- EU directives would change and be amended at EU level but the original legislation in the leaving Member State would not be automatically amended;
- the courts, tribunals and other decision making bodies of the former Member State, and ultimately solicitors and their clients, would respect the judgements of the Court of Justice of the EU as persuasive only, and case law may diverge over time;
- the legislature in the former Member State would review and amend national laws that had previously transposed EU directives.

The situation regarding EU regulations defined by Article 288 of the Treaty on the Functioning of the European Union (TFEU) would be very complex. They have general application, are binding in their entirety and directly applicable in all Member States. ‘Directly applicable’ means that, contrary to EU directives, the former Member State would not have transposed EU regulations into its national law. Departure from the European Union would therefore mean that over 1,000 regulations could cease to apply in the former Member State with immediate effect, creating enormous legal uncertainty for institutions, people and businesses.

The departing State would need to consider which Regulations it would transpose into national law, even if that is as an interim solution.

**EU Reform**

The Committee has heard evidence indicating that main areas in which the UK Government is seeking reform are likely to be:-

- EU Migrants and Access to the UK Welfare system;
- A stronger role for EU national parliaments to block unwanted EU legislation;
- An end to the ever closer union commitment in the Treaty on European Union;
- Safeguarding the interests of non-Euro zone members; and
- Regulatory reform, expansion and preservation of the single market and lower EU spending.

It appears that the UK Government may be considering reforms on:-

1. Competitiveness
2. Sovereignty
3. Interests of non-Euro members
4. Welfare

To what extent and in what policy areas is there a need for EU reform?

This is essentially a political question on which the Society takes no view. The Society would however like to refer the Committee to the comprehensive work on the review of the Balance of Competences between the UK and the EU, undertaken by the UK government between 2012 and 2014.

As with many other stakeholders, the Society provided commentaries on a number of EU policy areas based on the experience of our member solicitors and their clients. These included an assessment of:

- EU Competition and Consumer Policy;
- Free Movement of Financial Services and the Free Movement of Capital;
- Free Movement of Services;
- Fundamental Rights;
- Social and Employment Policy;
- Subsidiarity and Proportionality;
- Police and Criminal Justice.

What are the implications of EU reform for Scotland both in relation to devolved and reserved policy areas?

This would depend on the areas finally identified by the Prime Minister as those where reform should be directed. Until the areas are expressly identified and the reforms set out in detail it is inappropriate to speculate.

What should the role of national parliament be in relation to EU legislation and should there also be a role for sub-state legislatures?

The Society welcomes the enhanced and formal role of national parliaments in scrutinising policy proposals under the TEU articles 4(3) (sincere co-operation between the Union and the Member States) and 12 (role of national parliaments) and the relevant protocol. The Society recognises the excellent work undertaken by both the House of Commons and House of Lords in relation to scrutiny of the European Union and European law.

The Society also believes that, where the proposal consulted on is in an area of devolved competence under the various devolution arrangements in the UK, such as criminal justice, the devolved bodies must be included in the consultation process in order that a comprehensive and meaningful UK response can submitted to the EU.

The Society therefore supports the House of Lords’ statement that “[i]t is also vital that devolved and regional parliaments and assemblies, which have an important role in the reasoned opinion procedure, have sufficient time to comment if they wish” and is pleased to note that “[i]n the UK context we note that the Scottish Parliament, Northern Ireland Assembly and National Assembly for Wales also make good use of
the annual Commission Work Programmes in identifying proposals and policies of particular interest”.

The EU provisions on Justice and home Affairs illustrate well why it is important that devolved legislatures be actively involved. The TEU’s provisions on the EU regime for dealing with family law, succession law (art 81), criminal law and criminal and civil procedural law (articles 82 – 86) have an additional significance in Scotland. Firstly, these involve what are important areas of competence devolved under the Scotland Act 1998 and therefore largely within the legislative competence of the Scottish Parliament and the executive competence of the Scottish Government. In addition, and importantly, these are also areas where Scots substantive and procedural law are often different from the rest of the UK, and Scottish institutions – such as the Crown Office and Procurator Fiscal Service, the courts, the prisons and the legal profession – form separate and distinctly regulated bodies. In a UK context these factors make the Scottish position potentially more complex and add a particular dimension not only to implementation of legislation but also pre-legislative policy considerations and negotiations.

The Lisbon Treaty extended full Court of Justice of the EU jurisdiction and Commission enforcement powers to all pre-Lisbon legislation on police and judicial cooperation in criminal matters (see paragraphs 1.38-1.40). The UK negotiated a specific Protocol to the Treaties as a result of concerns that the measures had not been negotiated with CJEU jurisdiction in mind.

Under Article 10(4) of Protocol 36 to the Treaties, the UK was required to decide by 31 May 2014 whether or not it should continue to be bound by all PCJ measures which were adopted before the Lisbon Treaty entered into force, or whether the UK should exercise its right to opt out of them all. Protocol 36 also included provision for the UK to apply to rejoin individual measures.

On 24 July 2013, following votes in both Houses of Parliament, the Prime Minister wrote to the EU Council of Ministers exercising the UK’s opt out of all pre-Lisbon PCJ measures.

The Government has always been clear that, in exercising the UK’s opt-out, it wanted to rejoin a smaller number of measures which give UK police and law enforcement agencies vital and practical help in the fight against crime. In July 2013 the Government published Command Paper 8671: Decision pursuant to Article 10 of Protocol 36 to The Treaty on the Functioning of the European Union setting out a list of 35 measures (6 Schengen and 29 non-Schengen measures) on which it would commence discussions with the European Commission and other Member States to seek to rejoin under Article 10(5) of Protocol 36.1.

On 9 July 2014, the Home Secretary updated Parliament on the progress of negotiations. The Home Secretary explained that the Government was very close to reaching ‘in principle’ agreement with the European Commission and other Member States to rejoin the 35 measures set out in Command Paper 8897: Decision

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pursuant to Article 10(5) of Protocol 36 to The Treaty on the Functioning of the European Union published on 3 July 2014, but that a small number of EU Member States had raised technical issues. The last of these was resolved on 7 November 2014.

Both Houses of Parliament endorsed the Government’s package of 35 measures in November 2014. On 20 November 2014, the Prime Minister formally notified the President of the Council of Ministers of the UK’s wish to participate in 35 vital police and criminal justice measures in the national interest. Commission and Council Decisions permitting the UK’s application to rejoin measures were adopted on 1 December 2014.

Although the ability of the UK government to choose not to opt into a EU criminal justice proposal is a potential safeguard for the Scottish criminal justice system, such a system does add a layer of complexity to the already involved arrangements required for inter-governmental negotiations led by the UK government where the views of the devolved administrations and parliamentary bodies must also be taken into account.

However, whilst we take the view that this process of consultation with the devolved bodies is essential, we recognise that it might contribute to the complexity of the system.

Firstly, the extremely short timescales for the consultation of national parliaments set out in the protocol to the Lisbon Treaty determine that notwithstanding the careful scrutiny which the Scottish Parliament and its committees carry out in relation to EU legislation, meaningful consultation of anybody other than the UK Parliament is in practical terms very difficult. Secondly, as the issue over the opt out/opt in showed there can be policy decisions which raise significant legal questions for the Scottish legal system. There are mechanisms for communication between the Law Officers and between the relevant UK and Scottish Departments but other stakeholders, not least the Parliament may wish to make representations and we need to be sure that this can be done in a timely and effective way.

Inter-governmental relations

To what extent do current inter-governmental structures and arrangements provide for meaningful involvement of the Scottish Government on the UK’s agenda for negotiating the UK’s position in the EU?

Scottish Government participation in EU policy making

This is in principle governed by the “Memorandum of Understanding and Supplementary Agreements between the United Kingdom Government, the Scottish Ministers, the Welsh Ministers, and the Northern Ireland Executive Committee” of October 2013. The Supplementary Agreement B contains the “Concordat on Co-ordination of United Kingdom Parliament and Devolved Assemblies on the UK’s Position in the EU”.

ordination of European Union Policy Issues”, with sections B1 on Scotland and B4 on a Common Annex. It provides for right of information and consultation for the devolved administrations. In case of dispute, the matter is discussed at the Joint Ministerial Committee (Europe) but ultimately decided by the UK Government.

It would be difficult for the Society to provide substantiated evidence of how co-operation between the UK and Scottish Government works in practice and others will be better placed to do so. We understand that co-operation may vary from one policy area to another. It would be well established in devolved matters (e.g. justice and home affairs) as well as issues which are non-devolved but significant for Scotland (e.g. fishing). However, it might not be true for all areas.

In considering the matter, the Society can only suggest or highlight a number of essential building blocks to make co-operation work well in practice:

- There should be a good knowledge of the powers and/or interest of the devolved administrations in Whitehall ministries;
- Established communication protocols between Whitehall and the devolved administration would be essential;
- The short time-span of consultations is a problem for devolved administrations and resources should be adequately positioned to deal effectively with all requests;
- The presence of Scottish ministers alongside the UK Secretary of State to meetings of the relevant formations of the Council of the European Union should be encouraged;

How could inter-governmental structures and arrangements be improved in the context of the Smith Commission agreement that their mechanisms for handling EU business should be improved?

The Smith Commission stated in paragraph 31:

Scottish Government representation of the UK to the European Union

The parties recognise that foreign affairs will remain a reserved matter. They also recognise the need to reflect fully the views of the other devolved administrations when drawing up any revised governance arrangements in relation to Scottish Government representation of the UK to the EU. In that context, the parties agree that the implementation of the current Concordat on the Co-ordination of European Union Policy Issues should be improved. This should be achieved by:

1) ensuring that Scottish Ministers are fully involved in agreeing the UK position in EU negotiations relating to devolved policy matters. For example, it may be appropriate as part of this process for a UK Government Minister to chair a meeting of devolved administration Ministers where another UK Government Minister represents the position of England (or England and Wales in certain policy areas) while devolved administration Ministers represent their respective interests.
2) ensuring that Scottish Ministers are consulted and their views taken into account before final UK negotiating positions relating to devolved policy matters are agreed.

3) presuming that a devolved administration Minister can speak on behalf of the UK at a meeting of the Council of Ministers according to an agreed UK negotiating line where the devolved administration Minister holds the predominant policy interest across the UK and where the relevant lead UK Government Minister is unable to attend all or part of a meeting.

These suggestions appear to be sensible and will achieve a higher level of Scottish engagement in the process.

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I would like to acknowledge the assistance derived from this House of Commons briefing paper:-

http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7214

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