



# HOUSE OF LORDS

Corrected transcript of evidence taken before  
**The Select Committee on the European Union**

Inquiry on

**RENEGOTIATION AND REFERENDUM  
ON  
UK MEMBERSHIP OF THE EU**

*Evidence Session No. 1*

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*Questions 1 - 16*

TUESDAY 30 JUNE 2015

4.10 pm

Witnesses: Rt Hon David Lidington MP, Vijay Rangarajan and Benjamin Saoul

Members present

Lord Boswell of Aynho (Chairman)  
Lord Blair of Boughton  
Lord Borwick  
Earl of Caithness  
Lord Davies of Stamford  
Baroness Falkner of Margravine  
Lord Green of Hurstpierpoint  
Lord Jay of Ewelme  
Lord Liddle  
Baroness Prashar  
Baroness Scott of Needham Market  
Baroness Suttie  
Lord Tugendhat  
Lord Whitty  
Baroness Wilcox

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**Examination of Witnesses**

**Rt Hon David Lidington MP**, Minister for Europe, FCO, **Vijay Rangarajan**, Europe Director, FCO, and **Benjamin Saoul**, Deputy Director, EU, Cabinet Office

**Q1 The Chairman:** Good afternoon, Minister. You are familiar with the workings of the Lords EU Select Committee. You have attended on countless occasions in the past and have been unfailingly helpful to us. We appreciate that, and we are very pleased to see you again this afternoon. It is self-evident, and the only point I need make, that the pace and intensity of these interests is rather quickening at the moment. Just for the record, as this is a public evidence session, we shall be broadcasting it and we will have the usual protocols: you will have a working text and may correct any factual points in the inquiries. We have put out an information note on Members' declared interests. They may wish to refer to those when they ask questions. If we allow for the amount to do this afternoon, including the possibility of Divisions at your end, unless you feel you must make one we ask you to dispense with an opening statement—we obviously heard the Prime Minister yesterday—but it would be appropriate, not least for a particular reason, if you would introduce your colleagues here this afternoon, and then we will get started.

**David Lidington MP:** Thank you Lord Chairman. I am perfectly happy to dispense with a statement. I am accompanied on my right by Mr Vijay Rangarajan, the Europe Director at the Foreign and Commonwealth Office, and on my left by Ben Saoul, the Deputy Director for the EU in the EGIS unit at the Cabinet Office.

**The Chairman:** Thank you. The reason for my paving with that was to say that some of us will have read of Vijay's recent honour. We are glad that people who sometimes have to remain silent, although not always in front of us, are suitably recognised for the efficiency and extent of their work. That is also true of the Cabinet Office, which should not be left out of that either.

Having dispensed with pleasantries, we will get to the business. Possibly more even than the European Council does, we would like to try to avoid allowing the immediate to hijack the substantive discussion about renegotiation and referendum. I therefore propose to put a couple of questions, one on migration and related issues, which is obviously of great concern to all members of the Committee, and one on Greece. I ask Baroness Prashar to ask the first formal question.

**Q2 Baroness Prashar:** Minister, it would be helpful if you could start by giving us an update on the Mediterranean migrant crisis at last week's Council.

**David Lidington MP:** The Council agreed that the EU needed to have a comprehensive approach that dealt with the countries of origin and transit and enabled effective action to be taken against the people smugglers. There was agreement that the previous European Council conclusions that talked about a voluntary relocation programme should go ahead, but without totals being ascribed to individual member states, and the conclusions noted that the United Kingdom, Ireland and Denmark were in a particular position because of the treaty opt-outs that we have in respect of justice and home affairs matters.

Britain is planning to spend a total of £725 million in the Horn of Africa during the 2015-16 financial year. We believe that the long-term strategic answer to this challenge lies in trying to alleviate poverty and working for political stability in the countries of origin and of transit, so that the people who at the moment are putting all their hopes in trying to get to a European country and who are becoming prey to ruthless, well-organised people traffickers can see some hope of a better future in their own neighbourhood.

**Baroness Prashar:** Can I just pick up on the question of immigration and Britain not opting in? As you say, the Council statement says in a footnote that we will not be participating, and yesterday in his Statement the Prime Minister categorically stated that Britain will not be participating. You yourself gave undertakings to the House on the rules governing parliamentary scrutiny of opt-ins. These are indeed called Ashton and Lidington undertakings. Where does the statement by the Prime Minister leave these undertakings? Is it your intention that you will no longer abide by them?

**David Lidington MP:** No, but those undertakings apply to documents that are depositable under the Standing Orders of the two Houses, which are subject to the formal scrutiny process.

**Baroness Prashar:** But they have been debated?

**David Lidington MP:** European Council conclusions are not subject to scrutiny.

**Baroness Prashar:** But this document on relocation has been deposited.

**David Lidington MP:** If it has been deposited by the Home Office, it is a matter for this Committee and the equivalent Committee of the Commons, once it has been re-established, to decide whether or not to call for a debate on that document. The PM was making the Government's policy clear. He was asked both in Parliament and by the media during public meetings about what our approach should be. I do not think he could avoid giving an honest answer to those questions. It is clearly up to the Committees to decide whether to take the matter forward.

**Baroness Prashar:** But it does not abide by the spirit of the Lidington agreement.

**David Lidington MP:** It would not have been a defensible position for the Prime Minister to say that we have an opt-out but that he cannot give an opinion as to whether or not the United Kingdom intends to participate in the scheme. I think he had made it very clear during the Council meeting itself that we were not going to participate. Had he remained silent, the Government's policy would have been known to fellow Heads of Government and the European institutions but not to the British people or to Parliament. That would not have been a defensible way in which to handle things.

The commitments were given primarily in respect of legislation coming from the European Union on JHA matters, because it was those things that aroused particular concern in the case of assurances that I gave during the passage of what became the EU Act 2011. The point about the assurances is that they are designed to assure Parliament, in the event of a UK decision to opt into a justice and home affairs measure, that there will be time for Parliament to express its view.

Clearly, European proceedings provide for the UK or Ireland to decide to opt into an extant justice and home affairs measure at any stage in future. I do not want to suggest that the Government are reconsidering the approach that the Prime Minister has set out. That is not the position at all, but it is clearly up to the Committee, if it wishes to call a debate on that particular measure, to do so and to report expressing its view and recommendations to the Government.

**The Chairman:** Minister, we have other matters to consider. I do not for a moment suggest that this matter is of minimal importance or merely procedural, not least because we will be talking a little later about the role of national parliaments, and you seem to be at one with us in regarding those as important. In my perhaps imperfect knowledge of the undertakings given to us by you and your predecessor, they are not quite as constrained as your account perhaps suggests this afternoon. It might be helpful if, rather than prolonging this now, we invited Baroness Prashar's sub-committee, reporting as it were through me, to correspond, because we need to get this point clarified, not least for future implications.

**Baroness Prashar:** Could you also clarify for my purposes whether the Council decision on relocation referred to in the Council conclusions will constitute an amendment, or will that proposal be withdrawn? It has moved from being mandatory to voluntary.

**David Lidington MP:** The decision that it should be voluntary was what the European Council had previously concluded in its Statement after the Extraordinary European Council

of April this year. The Commission subsequently came out with a proposal that there should be a mandatory system. The European Council last week reiterated and agreed that there should be a voluntary system, but there was certainly no agreement at European Council level that there should be a mandatory system. That certainly implies that there would not be a requirement for a majority for a compulsory system. My expectation, although it is really a matter for Home Office Ministers to comment on, is that the Commission would come forward with an alternative legislative measure, if that is what it believed was necessary.

**Vijay Rangarajan:** I would add just one thing. There is a part of this that is being played by the Luxembourg presidency as well. It is taking soundings with member states at the moment on how many people each member thinks it can take voluntarily, and there is quite an unclarity in what the process is then going to be—whether this would then be encapsulated into a legislative framework or simply listed by a presidency—and exactly what the legislation is.

**Baroness Prashar:** Is it a question of amending this proposal or withdrawing it?

**Vijay Rangarajan:** I think that is a question for the Commission.

**David Lidington MP:** It is the Commission that has the right to decide that.

**The Chairman:** Thank you. Two practical points, if I may. The first I should have mentioned earlier, but it is no part of my remit to establish an inequality of arms. You will have noticed that we have adopted shirtsleeve order, and please feel free for you and your colleagues to do so. Secondly, I do not know whether it is the move from our usual Room 4, but I am having some difficulty in hearing everybody's exchanges. It would be quite useful if we could all undertake to speak up without being heated.

**David Lidington MP:** It may be the air conditioning.

**The Chairman:** I think it is probably something to do with that. If we may, we will pass on to Greece.

**Q3 Baroness Falkner of Margravine:** Minister, this is an easy one. On the game of chicken that has become the negotiation between Greece and the troika, we got quite a comprehensive Statement yesterday from the Chancellor, but certainly at our end in the Lords, the Statement was, first, incomprehensive in terms of the practical contingency planning that you have been undertaking. There was a little reticence about our financial exposure and the numbers. It looks like we might have a deal tonight, but in case we do not and there is a Greek default, we did not get an answer as to what our exposure would be

through the IMF, for example. We understand now that we may also be exposed if there is a deal whereby the European stability mechanism is used to give a loan to Greece, in which case we will be exposed through that. We understand that the United Kingdom banking sector still has an exposure of about \$12 billion, despite moves to recapitalise and hedge against those loans. Would you be able to speak to us about some of the financial matters? Of course, there would also be an impact, if there were a default, on our trade with the eurozone, which could slip back into recession. Could you give us an overview on how, if there is a default, it will affect the United Kingdom across the board, beyond holidaymakers?

**David Lidington MP:** If I can take Baroness Falkner's last point as the lead-in, the most significant impact, but also by definition the most difficult to calculate with any precision, would be the indirect impact on this country. Clearly if events in Greece were to lead to a renewed downturn in the eurozone as a whole, that would have an impact upon our trade, investment patterns and stock markets. It is impossible to be completely certain about the degree to which UK financial institutions are exposed to financial institutions in other countries that are themselves exposed to Greece.

We can get more of a handle on the direct exposure. Our judgment is that UK banks have minimal exposure to Greece, and the Bank of England's recent stress test showed that our banking sector is now far stronger and better capitalised than it was five years ago. So the Government's assessment is that the risk of contagion to the UK is low, although, you will understand, the Chancellor and the Governor have contingency plans in place. The four largest Greek banks have branches in the UK, but their total deposits amount to only £225 million. One Greek bank, Alpha, has a subsidiary in the UK. It has around £500 million in deposits. As a subsidiary, of course, it is covered by the United Kingdom's deposit guarantee scheme, whereas the branches are not. We think that the financial sector exposure to Greece has come down quite dramatically over recent months.

**The Chairman:** The British financial sector?

**Baroness Falkner of Margravine:** Rather than Greek banks? I am talking about the likes of HSBC.

**David Lidington MP:** The British financial sector has reduced its exposure dramatically. Clearly, institutions have been making their own commercial decisions about this. The latest figures for March showed exposure levels then approaching a quarter of what they were, compared with December 2014, and amounted to less than 2% of our financial exposure to France—in the financial sector, that is.

**Baroness Falkner of Margravine:** So the figure would be in the region of \$12 billion? That is what we are reading. We are getting percentages, but we are not getting estimates.

**David Lidington MP:** The March 2015 figures from the Bank of England show that UK financial exposure to Greece fell by \$8.9 billion in the quarter from December 2014 to March 2015 to \$3.2 billion. It is a much smaller figure. Direct trade investment links are also pretty small: 0.6% of total UK goods and services exports go to Greece—£2.8 billion in 2013—and only \$1.1 billion of Greek FDI stock comes from the UK, which is just under 4.5% of the total.

As far as the IMF is concerned, the Greek Government have said that they want to renegotiate the debts they owe to the euro area, not to the IMF. The IMF obviously has preferred creditor status, which means that it should be repaid first, and it has precautionary balances on which it can draw if absolutely necessary in order to absorb any losses that it might incur. We do not think that this is an immediate problem. There is no history of countries, at the end of the day, not paying back to the IMF because of what that would do to their credit status.

**The Chairman:** Thank you Minister. I would derive from that—and you may dissent if you feel that you should—that the effects of any change, and I am being deliberately vague about what such a change might be, are likely to be indirect or third order, rather than first order.

**David Lidington MP:** Yes.

**The Chairman:** Secondly, we would probably know and be better placed to ask that question in about a week's time.

**David Lidington MP:** If that is possible.

**The Chairman:** Indeed. There is scope for one supplementary only and we have to be restrained.

**Lord Davies of Stamford:** On the matter of what happens in a week's time, clearly there will be a referendum on Sunday. If the answer is no, Greece continues down the road to bankruptcy and leaving the euro. If the Greek public, the Greek electorate, vote yes, will the same package that was rather petulantly rejected by Mr Tsipras the other day be renewed and reoffered? Do the Government know anything about that? Are they in discussions with the IMF or with our eurozone partners on that subject? Are you seeking to influence in any way the outcome of that decision?

**David Lidington MP:** Clearly, because we are not in the euro, we are not party to many of the discussions that are going on. It is the eurozone countries that have a very great interest in the issue.

**Lord Davies of Stamford:** I understand that. Are we part of any discussions on this subject?

**David Lidington MP:** Clearly these subjects come up when the Chancellor or the Prime Minister are talking to their opposite numbers, but we are not party to the hour-by-hour changes in negotiating positions. I simply cannot give Lord Davies an answer as to what might be on offer in the hypothetical circumstances of a yes vote.

**Lord Davies of Stamford:** What I would like to know, Minister, is whether the British Government are seeking to exercise influence in any direction at all in this context or whether you are keeping out of it altogether.

**David Lidington MP:** We take the view that it is up to the Greek people to decide how they vote. It is their country. The leaders of other eurozone Governments have publicly expressed a view in the last couple of days that the Greek people are in effect being asked to choose whether to remain in the euro or not, but at the end of the day it is up to the Greek people to take the decision. I would always regard it amiss if any foreign Government sought to tell the British people how they should vote in a general election or a referendum. It is right and in our interests to let the Greek people come to this decision.

**Lord Davies of Stamford:** I do not think I am going to get an answer to my question, so I think we ought to move on.

**Q4 The Chairman:** Yes, I think we should. We will, if we may, turn to issues of renegotiation and referendum, which will in effect dominate proceedings unless something contingent happens. I will kick off by referring to last week's European Council discussion and ask you two questions. First, can you confirm that the discussion was limited to a 10-minute speech by the Prime Minister and a response from European Council President Tusk?

**David Lidington MP:** Yes. Whether it was exactly 10 minutes I do not know, but it was a short exchange.

**The Chairman:** It was short and sweet and set out the main parameters. Secondly, in that context, there were some attempts in the Prime Minister's speech yesterday to provide some headlines of interest, but could you summarise the points which Her Majesty's Government are putting under one heading? Is there a common theme to this? If you were invited—of course, you are not, but you are being broadcast at the moment—to give us a

soundbite, is there one thing that the Government are after in these negotiations that you would like to share with us?

**David Lidington MP:** If I had to sum it up in a sentence or two, I would say that we are seeking a package of reforms that will make Europe more prosperous for all Europeans, that will enable people in every European country to feel that European decisions and European institutions are better connected and more accountable to ordinary people than now, that will make Europe more competitive, democratic and flexible than it is today and that, as part of that package of benefits to all European countries, will help the British people to feel more comfortable about their place in the European Union.

**The Chairman:** Again, that sounds almost as if it is derived from the nature of the process and the proposals which the Government are putting forward. My second point is about the content of those proposals. You speak about a package. The proposals might be somewhat disparate, but the overall objectives are the ones that you have set out.

**David Lidington MP:** The objectives that I have set out very much reflect the themes which the Prime Minister originally set out in the Bloomberg speech in January 2013.

**Q5 Lord Tugendhat:** Mr Lidington, could you explain a bit about the negotiation process? Obviously the Prime Minister is in charge and this is a major element of his Government's programme. But going back a long way, when the initial application was made, Ted Heath was doing the spade work. At a later stage, Geoffrey Rippon was doing the spade work. At a later stage still, Jim Callaghan did the spade work. Is there going to be an equivalent spademan, as it were, on this occasion? If not, will there be other Ministers playing a particularly prominent role?

**David Lidington MP:** We are in an age now where more diplomatic business is done at Head of Government level. That is a fact of life in Europe and globally. The Prime Minister is fully seized of the importance of this question for the Government's programme and policy, so he is very much leading this himself. Since the election, he has devoted an enormous amount of his time talking to his counterparts in the European Council and to consideration of our approach here. The Chancellor and the Foreign Secretary are working very closely with him. I am actively involved in supporting that process, and other Ministers will be involved particularly when discussions about individual reforms touch on their policy responsibilities. There is a Cabinet committee on European reform. The membership has been publicly announced. The Prime Minister chairs those meetings, and the Chancellor, the

Foreign Secretary, the Work and Pensions Secretary, the BIS Secretary and the Home Secretary all sit on that committee, as do I.

**The Chairman:** Just to be clear, in a sense the fact that you are accompanied by two government departments is eloquent. Can you say a bit about the official machinery, or the co-ordination of that machinery?

**David Lidington MP:** It works by network rather than by hierarchy. I will talk regularly, often more than once a week, to people in the Cabinet Office as well as to my own officials. My senior officials in the FCO are in the meetings with No. 10 or No. 11. There is a group of senior officials, particularly in No. 10, the Cabinet Office, FCO and the Treasury, who are intimately involved with this.

**The Chairman:** Perhaps I can put this through foreign eyes for a moment and ask you Dr Kissinger's question. When you need to ring up Europe—in this case you need to ring up Mr Renegotiation—who should they be ringing?

**David Lidington MP:** It depends a bit on who in which other Government we are talking about. Politicians will want to talk to politicians, and civil servants to civil servants, but we are approaching this by having co-ordinated our positions among those individuals and key departments, so that whether somebody is calling me, somebody in the Prime Minister's team or somebody in the Cabinet Office, they are going to get the same approach whomever they talk to. There is a commonly agreed line.

**Q6 Lord Tugendhat:** You said that a lot has changed since the episodes that I referred to earlier, and of course you are quite right. One thing that has changed, among others, is devolution. What is the relationship of the devolved Administrations to this exercise? Through what forum and in what manner are you taking their minds, and in what manner are they able to feed in their concerns?

**David Lidington MP:** It is an important question and one that we have been discussing at ministerial level. Clearly the question of the United Kingdom's membership of the European Union is a reserved matter under the terms of all three devolution settlements, so ultimately it is a matter for the United Kingdom Government and the United Kingdom Parliament, but Lord Tugendhat is quite right to say that it is important for the views and interests of the three devolved Administrations to be respected. We have institutional machinery available to us in the form of the Joint Ministerial Committee, which meets at Prime Minister and First Minister level. The Joint Ministerial Committee on Europe meets quarterly, and either I or the Foreign Secretary chairs it. The Joint Ministerial Committee is the apex of the structure,

and then we have the JMC(E), which is the European sub-committee of that process. We had an initial brief discussion of this matter at the JMC meeting I think two weeks ago. I have undertaken that I will visit all three devolved Administrations later this year, and we will obviously be open to hearing the views of the three devolved Administrations—we want to hear their views—as the negotiations continue. None of them will have a veto, but they have the right to expect that we will make a point of listening to their opinions.

**The Chairman:** Thank you. Lord Liddle, is your question on the same point?

**Lord Liddle:** It is. The Commission has appointed a UK task force, headed by Jonathan Faull, to co-ordinate all the different bits of policy in the Commission. Presumably as a director-general, Jonathan Faull reports directly to the President and to Frans Timmermans. Who does Jonathan Faull relate to in terms of the UK?

**David Lidington MP:** I think we are waiting to see exactly how Jonathan Faull's unit operates in practice. Of course, it is very far from the case that the Commission is the sole lead in Brussels on this.

**Lord Liddle:** No, no.

**David Lidington MP:** The European Council conclusions last week agreed that technical discussions would now take place, supervised by the President of the European Council, with a view to a further discussion in December this year. The views of member state Governments represented in the European Council are absolutely going to be part of this. Lord Liddle is right: we need to talk to the Commission as well, and that will mean talking to Jonathan Faull. I know him, so I am certainly used to talking to him, but senior officials in both the Cabinet Office and the FCO are accustomed to talking to him as well, so I do not think there will be a lack of conversation with him and his team.

**The Chairman:** Thank you. A small point that perhaps I could insert is that we often forget local government in these discussions. I appreciate that they are not legislators, but on the other hand they are substantially stakeholders, as it were, in relation to European Union funding such as the ESF. Will you be setting up at least some machinery to keep in touch with them?

**David Lidington MP:** It is not a matter that we have considered in detail, but I am sure that if local government, through the LGA or a range of local government organisations, wanted to express a view, we would certainly take it into account.

**Q7 Baroness Suttie:** How will you keep Parliament informed on the progress of the negotiations, and can you confirm that the Prime Minister made a commitment yesterday to keep Parliament informed?

**David Lidington MP:** Yes, and we are keeping Parliament informed. The statements after European Council meetings are one way in which to do that. Sessions such as this this afternoon provide another. I want to be straight with the Committee and say that we are not proposing to give a blow-by-blow account of a negotiation that will be in progress. I do not believe the Committee would expect that, and it is certainly not the way any previous British Government of any colour have conducted international negotiations. Ministers, I and other colleagues will make a point of having conversations with a broad range of Members of both Houses in Parliament. That is going to be an ongoing part of our operation. The Foreign Secretary has indicated that he would be willing to appear before this Committee at a later point as well.

**The Chairman:** That is much appreciated.

**David Lidington MP:** We will look for opportunities to keep Parliament informed and, just as important, to listen to the views of parliamentarians.

**The Chairman:** Thank you for that. That is always welcome. In that connection, perhaps you might like to reflect on this. Colleagues round here do a lot of travelling and talk to a lot of people. If they have concerns that are picked up from third parties or other member states, you would be happy at least to listen patiently to those and it would be a sensible way of relaying them to you?

**David Lidington MP:** That sounds to me like a sensible way of proceeding. Of course, in so far as elements of the reforms that we are seeking require EU secondary legislation, the normal scrutiny system continues to apply.

**Baroness Suttie:** Two short supplementaries, if I may. I will, if I may, follow up on Lord Tugendhat's comments on the devolved Administrations. Obviously there is a very particular set of circumstances in Scotland at the moment. Could you say a little more about how you imagine communicating with the Scottish Government and, indeed, Parliament, and would there be an intention to communicate with the European Affairs Committee in the Scottish Parliament, as you are doing here today with this Committee?

Secondly, what is the intention to communicate with members of the European Parliament on the process as it is going on?

**David Lidington MP:** I will take those in turn. With regard to Scotland, I have a decent working relationship with Fiona Hyslop and Humza Yousaf, and I look forward to that continuing. It does not mean that we agree on everything, but I see that sort of link as the chief channel. It is also important that we in no way undermine the significant role that Members of Parliament from Scotland would play in the House of Commons here. The governing party at Holyrood now has significant representation at Westminster, and part of the job of those MPs is going to be to look at foreign policy and European issues in the various committees and in session in the Chamber.

As regards the European Parliament, President Schulz was over here two weeks ago on the 18th. He saw both the Prime Minister and the Foreign Secretary, and both those meetings centred on European reform. I spent a day in the European Parliament last week talking to at least one member from all four of the European Parliament's largest groups. Again, while not giving them full details of our negotiating position, I explained to them where the Government were coming from and what, in general terms, we were seeking, in line with the Prime Minister's approach in his statements here.

**The Chairman:** Thank you. Just for the record, we can take it from what you have said that the Government will not merely confront us with a *fait accompli* at the end of the negotiations—a take it or leave it?

**David Lidington MP:** A lot will depend on how long the negotiations take and the processes and instruments by which reforms are agreed to be delivered. As I said a moment ago, anything that involves secondary legislation will inevitably involve documents that are subject to the deposit and the scrutiny process. Anything that involved a change to treaties would also require a parliamentary process. I am also pretty clear in my mind that when the process of negotiation concludes, well ahead of the referendum date itself, the Government will want to make their view clear and set out their conclusions, the results of the negotiations and their recommendation, and I am sure there will be ample opportunities for Parliament to debate those matters.

**The Chairman:** I wonder if at this point it might be sensible to bring in Lord Jay, who has an interest in this.

**Lord Jay of Ewelme:** Just following up your last point, Minister, after the renegotiations and before the referendum, would the Government set out the case both for and against membership of the European Union? Secondly, will the Government set out at some point both the process and the possible timetable that would need to follow a no vote?

**David Lidington MP:** On Lord Jay's first point, the Government will have a view at the end of this process and will want to explain their recommendation and the reasons, logic and evidence behind that. In expressing that view, it is inevitable that the Government will want explicitly or implicitly to say why they have not come to the opposite view. It is always inherent in making a case that you address the arguments for the alternative point of view. Obviously when one gets into the referendum, this is going to be chiefly a matter for the two umbrella organisations designated by the Electoral Commission.

In terms of what might happen following a no vote in the referendum—

**The Chairman:** There is a Division in the House now.

**David Lidington MP:** I will complete my answer briefly, and then I must vote.

There is a risk at this stage in speculating about that. Going back to the Bloomberg speech, the Prime Minister considered, albeit briefly, the Norwegian and Swiss options and set out his reasons for saying that those were not, in his view, the best outcome for the UK. There is plenty of academic debate in think tanks about what model there might be. Article 50 lays down the process in the treaties, governed by law, for a procedure to be followed for the departure of any member state. Obviously it does not set out the contents of a future relationship, but it sets out the process by which that should be achieved, and it sets a two-year deadline by the end of which the remaining member states have to decide on the nature of that relationship.

**Lord Jay of Ewelme:** I was not thinking of the Government setting it out now. It was more a question of whether it would be a relevant factor, for those deciding how to vote in the referendum, to know what would follow a no vote.

**David Lidington MP:** Yes, I think I understood.

**The Chairman:** The Minister should now go and vote. The Committee is adjourned while he does so. The sooner he can come back, the better. Thank you.

*Committee suspended for a Division in the House.*

**The Chairman:** Minister, thank you for coming back so quickly. We are on shirtsleeve order. The offer is open to your colleagues. If they feel it is not lese-majesty to be doing it, please do so. Let us kick straight off again with Lord Caithness.

**Q8 Earl of Caithness:** Minister, obviously great care will have to be taken to involve every member state, not just the large member states. What are you doing with regard to

that? Also, although you did not pick up Lord Tugendhat's offer of being spademan, you are carrying a large trowel one step behind the Prime Minister. What are you doing to visit every member state to help the work of our embassies there?

**David Lidington MP:** Sometimes in this job it feels like a large shovel rather than a large trowel.

Since the election, the Prime Minister has spoken to all the other 27 Heads of Government personally, most of those in a bilateral face-to-face meeting and a handful in a bilateral telephone conversation about the EU reform agenda. That was one key reason why there needed to be only a brief discussion last Thursday night—because everybody had understood, having talked to the Prime Minister, what general content and process he had in mind. The Foreign Secretary and I have met, during our time in office, all our counterparts in every member state.

In terms of my own travel, there are three member states that I have visited only once so far. The others I have visited twice or more and in some cases many more times. The travel programme will continue. The Foreign Secretary and I will try to dovetail our travel plans so that we do not unnecessarily duplicate the effort, and we are covering all bases. To give Lord Caithness one example, the Foreign Secretary of Luxembourg was in London this week and the Foreign Secretary and I both talked to him about reform proposals and, indeed, about the plans for Luxembourg's forthcoming presidency of the EU. This will continue. Other Ministers will also be engaged, because some elements of European reform that we are seeking will need specific changes that involve the portfolio of a departmental Minister. A plan was agreed today to phase out data roaming charges throughout the European Union. This is one element in the digital single market that will benefit this country considerably, and Lady Neville-Rolfe has been very closely involved in that work.

**The Chairman:** If I may say, Minister, as I happen to have a visual aid with me, there is a very interesting report from the Irish Oireachtas on the implications for the Irish Republic of any British renegotiation. Given that they are our close neighbour and we are moving into a good place with them in our understanding, I take it that that would be effectively handled within your machinery and you would be happy to go and see them if they were to ask you about that sort of mission.

**David Lidington MP:** I have spoken to the European Affairs Committee of the Oireachtas more than once. I actually went to Dublin as my first visit outside the United Kingdom after

the general election and my reappointment, and that visit involved an informal meeting with members of the Oireachtas committee.

**Earl of Caithness:** It is all very well meeting Ministers over here, but for real effect one has to go to their own capitals. Could you provide the Committee with a list of all the forthcoming ministerial visits to European capitals?

**David Lidington MP:** Much as I would like to, I do not think I am able to do that, for two reasons: partly because for some Ministers there are security implications in giving advanced notice of travel, but also because the reality is that travel plans sometimes change at short notice because of events in capitals of Europe and because of parliamentary duties here. We might have a plan to visit country X, but then the Chief Whip decides that there is a more pressing call for attendance at a vote, so that visit has to be rescheduled. I do not think it would help, but our very firm intention is that the Foreign Secretary and I will continue a programme of visits to other European capitals and to talk to our counterparts in the margins of meetings in Brussels or Luxembourg.

**The Chairman:** I take it there would be no problem about your producing your travel activities ex-post, though, which would be helpful.

**David Lidington MP:** None at all. In fact, the travel of all Foreign Office Ministers is published quarterly.

**Baroness Scott of Needham Market:** Very briefly, Minister, I raise this question here because I am not really sure where else to raise it. Could you say a word or two about Gibraltar and any discussions that you might have had with it about the potentially significant impact on it of a referendum?

**David Lidington MP:** Yes. I spoke to the Chief Minister very shortly after my reappointment to confirm that our intention would be to include Gibraltar in the franchise for the referendum. The Government of Gibraltar will have views of their own about the substance of European policy, and we will certainly listen closely to any ideas that they want to put to us. There is a lot of very detailed technical work going on with the Government of Gibraltar at the moment on how the referendum will be managed and organised in the territory, because Gibraltar electoral law is slightly different from English or Scots electoral law.

**The Chairman:** Minister, prompted simply by Baroness Scott, I take it that you will also be bearing in mind the interests of the Crown dependencies.

**David Lidington MP:** Even though the FCO is not the parent Whitehall department for the Crown dependencies, I get requests from time to time to see members of their Governments, and I am always happy to listen to what they have to say.

**Q9 Lord Green of Hurstpierpoint:** I want to ask in a sense the inverse of the question posed by Lord Caithness. While all 28 member states are equally important, we know that some are more important than others. One in particular goes out of its way to say so, but nevertheless we know that it is rather more important. Would you care to comment on the way in which you and officials will be engaging with that one and with France, and with one or two others that are also important?

**David Lidington MP:** We have very well developed and continuing contact with both the French and German Governments. The Foreign Secretary will be sitting in the room with Ministers Fabius and Steinmeier again, I think, tomorrow, as he did at the beginning of the week for the Iran negotiations. Those meetings are important, even if they have not been called to discuss European reform, partly because you can have a word in the margins that can clear up misunderstandings or make a particular point, but also because those meetings, that habit of working together, contribute to the development of a relationship, which enables you to do business on the EU reform agenda and to build up mutual trust in what each other is saying.

With regard to both France and Germany, the Prime Minister went to Paris and Berlin as part of his tour after the elections. I saw my German opposite number in London last week. I have seen my French opposite number in Brussels. I am certainly looking to go to both Berlin and Paris at an early opportunity. I understand the point Lord Green was making about the significance of those two countries in the way in which the EU does business, and I take Lord Caithness's point that there will be elements of a reform package, particularly if we want something agreed at a European Council, that require the smallest of EU member states also to be happy with what is being proposed, because there will be a need for unanimous agreement.

**Q10 Lord Liddle:** This is another process question for the Minister—we have touched on it already—on how the negotiations will proceed with the Brussels institutions, how you see the relative importance of the three Brussels institutions, and what your main contact points are going to be at political and official level. There is a particular issue with the European Parliament in that it may be possible at political level in the Council to agree commitments to strengthen the liberalisation of services in Europe, or something like that, or to change

migration rules in ways in which we want to see them changed, but how do you prevent the Parliament popping up and saying, “Sorry, that’s co-decision and we’re not so convinced by what you’ve agreed”?

**David Lidington MP:** The Parliament has responsibilities set down in the European treaties, and clearly we need to respect and have regard to those. As Lord Liddle rightly says, anything that requires secondary legislation will involve the Parliament in some way, for the most part in full co-decision. Even things like EU free-trade agreements require the Parliament’s assent at the end of the day. It is an institution, I suppose, like any Parliament, where no single person is going to be sufficient as an interlocutor. The President of the European Parliament is clearly important. As I said, I was over last week and saw members from various political families. Manfred Weber, the leader of the EPP group, was in the UK a few weeks ago and had meetings with the Foreign Secretary, me and the Prime Minister. I have met Gianni Pittella, the leader of the socialist group, on several occasions. I have not yet done so since the election, but I am conscious of the need to reach out across the aisle. The Foreign Secretary has met Guy Verhofstadt. We are conscious of the need to involve the Parliament in so far as it has competence over particular areas of policy.

As regards the other two institutions, any successful renegotiation will need to involve agreement at some stage by the Heads of State or Government meeting at the European Council, and of course it was agreed last week that the next stage of technical discussions should be taken forward by officials. A lot of that in Brussels will be done by the Council secretariat, and by the Commission where necessary but under the overall supervision of President Tusk. As Lord Liddle himself said, Jonathan Faull’s unit is going to be important, but so too will maintaining the contacts and building the relationships with the other members of the college, from President Juncker and Vice-President Timmermans down.

**The Chairman:** Noting that the relationship between the Commission and the Council is critical, and obviously you will want to look at that in practice and maybe even comment on it privately as experience develops, I think we can move on from that. I ask Lord Whitty to firm up now on the next stages in relation to the record of last week’s Council.

**Q11 Lord Whitty:** Can we pin down the expected timetable a little more? Despite the brief discussion at last week’s Council, it emerged that EU and UK officials were going to make proposals in time for the December Council. Does that mean that if all goes well you expect the December Council to be the decision-making Council? If so, certain things follow on from that. If not, in terms of the big primus and secundus inter pares agreement we are

referring to, we are into election periods in France and Germany, and getting negotiations finished in those circumstances is going to be more difficult. Are you hoping for decisions to be made in December? If so, what would the timetable be domestically for setting out the process for the UK referendum?

**David Lidington MP:** The most important thing is that the agreement, if we get one, has substance and delivers on the objectives that the Prime Minister has set out. While we would be very pleased if that deal could be struck sooner rather than later, the PM has been very clear, publicly and privately, that he is not going to sacrifice substance for the sake of speed. The technical discussion that will now start will enable officials to start to explore options in both content and process to tease out how a particular objective might be accomplished to see where there are both genuine differences of view and possible misunderstandings that could be overcome, so that when you get to consideration by Heads of Government or Ministers it has been done on the basis of that kind of detailed technical policy and procedural work. I simply cannot say at this stage whether there would be agreement as early as December. We have President Tusk's conclusion that the European Council would return to the subject in December. Whether it is a final agreement or an interim report of some kind, we will have to see. It depends on events. I have always said publicly that I regarded the latter part of 2015 and 2016 as the window for negotiations at European level precisely because of the timing of the French and German elections in 2017. It is not impossible to see negotiations going on to 2017. It is not impossible to see them concluding much, much earlier than that. When you are dealing with 27 other Governments, it is impossible at this stage to be certain.

**The Chairman:** I suppose, for the record again, you would acknowledge that the conclusion of the negotiations does not by itself indicate the precise timing of the gap between that and the referendum.

**David Lidington MP:** That is a good point. I apologise for omitting to address that point in answer to Lord Whitty's question. The Political Parties, Elections and Referendums Act lays down a minimum period of 10 weeks for the formal regulated referendum period. We regard normal best practice to be about 16 weeks, but a lot depends on how early on the umbrella groups emerge and whether they can be pre-designated by the Electoral Commission. Anyone in this room who has taken part in general elections knows that there are certain times of the year when we would be rather ill advised to hold a major electoral event. I suspect that timing something for 20 December would not win us great applause.

**The Chairman:** No. Perhaps this is a matter to which we need to return at an appropriate time.

**Q12 Lord Davies of Stamford:** First, Minister, congratulations on the data roaming charges. That is a British achievement and a very fine one, and you deserve congratulations for that.

Can I ask you about treaty change? A number of the expressed desiderata from the Prime Minister imply, at least at first sight, that treaty change is going to be essential. If you look at the thing slightly more carefully, you can see that quite a number of these desiderata could be delivered without treaty change. If you are worried about, for example, out-of-work benefits for EU immigrants, that can be achieved by changing our social security rules, hopefully on a non-discriminatory basis. If you want to accept the red card proposal, that could be achieved by a compact between the different European institutions. But if you seriously wanted, for example, to get rid of the provision in the treaty about the ever-increasing union of peoples, it is difficult for me to imagine how any sane or humane person would want to get rid of a provision about increasing the union of peoples, because it has no legal or constitutional force and never has had. Supposing you did, you would then have to have treaty change. Surely you cannot negotiate treaty change, because a lot of member states require a referendum of their own to agree to a treaty change. They are not going to have a referendum or change the treaty to please the British, and then the British decide at their own referendum to leave the Union. They would look very stupid. Equally, the other way around, you could have the situation where we have an agreement with Governments that they would have the necessary referenda and carry out their constitutional procedures, then have a referendum and the British public agree to remain in the European Union, but then a referendum in another EU member state rejects the proposal for treaty change. Surely that is a course that can lead only to contradiction and possibly crisis and does not make very much sense.

**David Lidington MP:** The PM has said at all the 27 bilateral conversations that he has had with other leaders that we want to see significant reform in a number of areas; that, as Lord Davies says, some changes, most particularly those to do with competitiveness, can be achieved without touching the treaties, but that in other areas that will mean treaty change. The key principle is that the reforms need to be legally binding and not reversible at the drop of a hat. As far as the timing is concerned, we have not changed our view in thinking that some of the reforms that we want will need treaty change. It is clear, as Lord Davies

says, that it is not at all likely that by the end of 2017 one could have completed national ratifications of changes to the treaties, but part of any treaty process has to be agreement on the substance and then the process of ratification. Even the one-sentence change to authorise the establishment of the ESM took about six months to agree and to go through the process politically in Brussels. It then took a further year and a bit before the 27 national ratifications had taken place. So we say that there would need to be absolutely clear agreement by all 27 countries where they have solemnly committed themselves to deliver on that package. That would be a unanimous decision of the European Council.

**Lord Davies of Stamford:** Let me just repeat the question if I may. The question is this: what happens if the national ratification process of another member state fails to ratify that particular provision? That could easily happen. No Government can predict what their electorate would do.

**David Lidington MP:** It is premature to assume that the changes, if and when they are agreed, are going to require referendums. It is obviously a matter to some extent for countries that have constitutional provision for referendums to judge whether it meets the test.

**Lord Davies of Stamford:** As we do. It is known what those provisions are. In our case, we would need a referendum for any constitutional change, and other member states have the same thing.

**David Lidington MP:** Yes, but for example in Ireland, the requirement for a referendum applies where changes relate to the Irish constitution. We are not yet at the stage when we can say even in Ireland, which has a long tradition of referendums on European matters, that a referendum would be needed. That would be a matter for Ireland to decide. Other countries have chosen in the past, as an act of political judgment, to hold referendums on European issues but have not had any constitutional requirement so do to. Again, that is a matter for those countries. I cannot at this stage judge whether referendums would be needed in other member states or not. We would look for very clear, very strong commitments from all Heads of Government that they would set their hand to deal and see it accomplished. That is how other countries have looked to us in the past.

**The Chairman:** If I may, I will make two points. First, just for the avoidance of doubt, because your words could have been construed in a certain way, there is no question that a referendum is required in the United Kingdom, whatever is required or felt to be required in other member states.

**David Lidington MP:** Yes, indeed, but that is because we are writing into statute a requirement that such a referendum takes place. It does not require interpretation or a written constitution.

**The Chairman:** Thank you. Your mentioning the words “writing into statute” prompts my second question, which I think follows these exchanges. If there is going to be a solemn agreement among member states, that could presumably have a number of forms or could even be multiple; the word “package” came up in the context of the renegotiation earlier. Do you have any particular framework or template in mind? One has always heard, even in trade union law, solemn and binding assurances. Would it be legally binding, would it be a protocol, would be an undertaking with, say, draft clauses for a treaty to be enacted in due course, or is it too early to say yet?

**David Lidington MP:** It is too early to say. Lord Chairman, you have described some of the possible options. The point of principle as far as the Prime Minister and the Government are concerned is this: we have been clear that the reforms that we are seeking will need some treaty change; there will need to be agreement to those changes before the UK referendum; and we need to be confident that the reforms, assuming that they are agreed, are legally binding and not reversible.

**Lord Davies of Stamford:** I take it, therefore, that someone in the Foreign Office has been going through the constitutions of our partner countries in the EU with a fine toothcomb to see exactly what type of agreement would or would not require a referendum in those countries. Could you let us have a copy of any such study or analysis?

**David Lidington MP:** I can give Lord Davies the assurance that that work has taken place. It is the sort of work that the Foreign Office undertakes regularly. It is at the head of this particular round of negotiations. I cannot give an undertaking that we will make that detailed analysis available, but I can assure Lord Davies that the work has been done.

**Lord Liddle:** I am very puzzled by this commitment to treaty change. Surely you are not envisaging that you will have completed an intergovernmental conference by the time you have finished your negotiation, which now I think requires a convention unless it is a very simple matter, such as the setting up of the stability mechanism. You are talking about a political agreement among the Heads of Government to future treaty change, but that is not actually in the text of future written treaty clauses, is it?

**David Lidington MP:** That depends on whether one is looking at ordinary revision procedure or simplified revision procedure under the treaties. I go back to my point. It is a

perfectly reasonable question, but I am afraid I am going to say that there is a limit beyond which at this stage of the negotiations I cannot go.

**Lord Liddle:** That is a fair response.

**David Lidington MP:** It is a fair point to make, but as members of the Committee have already said, there are a number of ways in which treaty changes can be effected, and the key principle here is that we get the outcomes that we are seeking, that those outcomes involve a process that to some extent involves treaty change, that there is agreement on the treaty change before the UK referendum, and that the reforms achieved are clearly shown to be legally binding and not reversible.

**The Chairman:** Will it be fair to say, borrowing the words of Deng Xiaoping, that it does not really matter what colour the cat is as long as it catches mice? Conversely, and perhaps you would like to close the exchange on these thoughts, there is no suggestion that the very fact or format of treaty change is regarded as a kind of virility symbol for the renegotiation? You will go with the best outcome without actually saying that it has to meet a particular political litmus test.

**David Lidington MP:** We will be going for the best outcome for Europe and the United Kingdom, certainly, but it is our belief that we will need elements of treaty change precisely to make sure that those relevant reforms have a secure legal status into the future and cannot simply be unpicked through later political decision.

**The Chairman:** Thank you for that. We were just saying to the Committee that functionally we have about 20 minutes left. We have about four other areas to explore. If we could keep each of those questions severally to five minutes, we can conclude the evidence session after that.

**Q13 Baroness Scott of Needham Market:** Minister, in your reply to Lord Whitty, you said in effect that the timetable could be anything from April next year to 2017. We understand the problems about the timetable, but the bit that is not moveable is that we are due to assume the presidency in the second part 2017. So the Committee would like to understand how on earth all this is going to work. Presumably you would not have a referendum while we hold the presidency. It would otherwise be possible for there to be a no vote and then for us to assume the presidency just a matter of weeks later. That would not exactly be optimal either, but at the same time work has to start now. Indeed, I would be amazed if it has not started already. Do you think there comes a point when the UK

should say, “Actually, we will not take that slot”, and it would need to be sooner rather than later?

**David Lidington MP:** The work has started on planning for the presidency, and that will continue in the normal way. I should preface my answer to Baroness Scott by saying that the Prime Minister is confident about a successful outcome to the negotiations and achieving the aim of keeping Britain in a reformed European Union. We think that we need to push forward with the plans for the presidency. It would not be ideal, but it would not be impossible, to hold a referendum during the presidency. The Danes have in the past held a significant referendum while holding the revolving presidency of the European Union. Other presidencies have had general elections during their presidency. I am not saying that it would be a desirable outcome, but I do not believe it would be an impossible outcome.

**Baroness Scott of Needham Market:** Very quickly, I have not followed the proceedings blow by blow but my understanding of the referendum Bill in the other place is that civil servants are now being told that they are not allowed to make pronouncements and so on on Europe during a referendum purdah period, so how would it work if we had the presidency?

**David Lidington MP:** That is a reasonable question, and I am delighted that Baroness Scott has been studying the *Hansard* of the Committee stage in the House of Commons. I will give an answer, but I will say first that I cannot pre-empt what will be discussed when we return to this subject on Report in the House of Commons later this year. Whereas in general elections there is a convention about purdah that limits what the government machine can do and say, for referendums Section 125 of the Political Parties, Elections and Referendums Act writes in a statutory prohibition on public authorities publishing anything that might encourage someone to vote in that referendum, that might encourage someone to vote in a particular way, that might influence the outcome or that relates to issues that might pertain to the referendum question. The way in which that section is phrased and the very general nature of the publication means that, if left unchanged, that section of PPERA would make it very difficult, if not impossible, for us to undertake a whole range of routine EU business in the four weeks leading up to the referendum date. That would certainly include making public statements about a plan for the presidency, but it would also include our ability to respond through publishing online or in hard copy to events that were happening, from a migration crisis in the Mediterranean to a Court of Justice ruling, on which we might wish to give urgent guidance to British business about what it meant for them but we would be

prohibited from doing so. It is for that reason that the Government have included within the European Union Referendum Bill the disapplication of Section 125. Following debate in Committee in the House of Commons, I have undertaken, after consulting colleagues of all parties in the House of Commons, to report on Report with Government amendments that seek to strike the right balance and that allow the Government both to carry on business as usual in the EU and to express their view and their recommendation as the Government on their desired referendum outcome while at the same time making it plain that they are not trying to campaign in the sense of supplanting the role of the two umbrella bodies representing yes and no. I am in discussions now about how we might accomplish that objective, but that is the balance that I am seeking to strike.

**Q14 Lord Green of Hurstpierpoint:** Minister, I wanted to drill in a bit to some of the express priorities for negotiation. Yesterday in his Statement the Prime Minister set out four priorities. I am interested in particular in the last one: making the EU a source of growth, jobs, innovation and success rather than stagnation. A number of my colleagues have already commented on roaming charges. I think that is a great achievement. If you look at the state of the single market, which is of course all-important particularly to the British but if we are honest to the whole of the EU, it is a very chequered report card at the moment, and the Prime Minister, in my view and I suspect in the view of all of us, quite rightly focused on the importance of broadening and deepening the single market as one of the objectives that would make a recommendation to remain within the EU more substantive. To what extent did the balance of competences review lead to particular conclusions as to where we need focus on broadening the single market or deepening it? How would you assess the way in which the balance of competences review contributed to drawing up the negotiating prospectus, if you will? We hear a lot from British businesses. In the sub-committee on the internal market yesterday, we heard representatives of business making the point that implementation is almost more important than cleaning up regulation and that the Commission has a limited ability to focus on implementation. Is the Commission's ability to implement going to be one of our key demands?

Lastly, if I may, I will chuck this in while I can. Are we going to recognise in our negotiation that a number of things that we ought to welcome have already happened, particularly in the Commission? Indeed, if I may say so, I remember you and I, when I was Trade Minister, working on a number of ideas for strengthening the way in which the Commission goes about its business in a way that would be helpful to the single market. I think it would be

right for us to acknowledge that the new way in which the Commission has been structured under President Juncker has gone quite a long way to meeting the kind of objectives that we would have had. Are we going to acknowledge that as part of our negotiating strategy?

**David Lidington MP:** Let me address that. I am grateful for the question. The four areas that the Prime Minister set out, not just yesterday but in his conversations with other leaders, are: sovereignty, fairness between euro ins and outs, welfare and migration, and competitiveness. I will, if I may, address Lord Green's concerns about competitiveness. The balance of competences review in my opinion produced telling evidence about the value of the single market to the United Kingdom. I recall conclusions submitted, for example, by the road hauliers saying that they found it so much easier to have a lorry drive from Manchester to Milan or to Warsaw with only one set of documents and not a different set of each at the national frontier. I recall easyJet saying that a single market in aviation explained why their business model was possible. I know small businesses in my constituency that are selling significantly to Germany, Denmark, the Netherlands. But the balance of competences review also produced evidence of where the single market was flawed or incomplete: flawed, because there were illustrations in those reports of areas where the way in which EU regulation had been introduced had imposed unnecessarily burdensome costs on businesses that made it less easy for them to compete with non-European competitors; and incomplete, because while the reports demonstrated that we have a pretty good single market when it comes to goods, it is woefully underdeveloped when it comes to services, even though it is the services sector that is going to account for most of the growth and most of the new employment in all 28 member state economies, not excluding Germany. All member states are seeing a trend towards greater reliance on services.

I will say a little more about the matters that Lord Green mentioned. On the single market, I think the moves forward on the digital single market, of which today's agreement on data roaming charges is one element, were important, and we have played an extremely active role—the Prime Minister has personally got very involved in this—in trying to drive this discussion forward and maintain the focus and the energy. We work very closely with the Commission and with like-minded member states on this. When it comes to services more generally, we think that Commissioner Bieńkowska has made a good start. She has decided to take a segmented approach and not seek a broad further deregulation of services but to look service sector by service sector. She is suggesting for example that the EU looks first at construction services and business professional services, because there are demonstrable

advantages there, not just to service businesses per se but to the manufacturing businesses that rely on those services to deliver to their customers and shareholders.

On regulation, the REFIT programme and Frans Timmermans' initiative to limit EU regulatory and legislative initiatives have been a very encouraging start, but we need to go further, which means not only simplifying or withdrawing particular EU measures but, more importantly, trying to make more of a reality of subsidiarity and proportionality when it comes to lawmaking.

Finally, yes, trade is an absolutely essential part of greater competitiveness. We all know that if we look forward 10, 20, 50 years, there will be challenges in the economies of the emerging world but also huge opportunities for our businesses, so getting the details completed with Singapore, Canada and the United States through TTIP is vital to us. Beyond that, we want to see agreements with Japan and with Latin American countries that are willing, and we should not be afraid to talk about a future free-trade deal with China. That is further off. That is not going to be in my time in office, but that is the sort of world we should be looking towards.

**The Chairman:** Not tonight, Minister, if you will allow us. Two final questions on the role of national parliaments.

**Q15 Lord Blair of Boughton:** I suppose in a sense, Minister, I am taking off from where Lord Green left off, because I want to talk a bit about the sovereignty element. The Prime Minister has made the case for strengthening the role of national parliaments and has indicated his support for a red card system. But never mind a red card, we have had only two yellow cards in the history of the system. It might be fair to say that national parliaments are simply not structured to do this, so if we are going forward into a world where we, the British, are saying that we want a strengthened national parliament role, we are going to have to make some reasonably fast moves with other national parliaments to be sure that they want that and that they will resource having more sovereignty, otherwise we are not going to get any more yellow cards, or red cards. What is the future role for national parliaments, and how will we shape that debate?

**David Lidington MP:** First, giving greater weight to national parliaments in the system of checks and balances within the EU is one essential element in reconnecting Europe with ordinary citizens who, to judge by Eurobarometer or pure research findings, have grown pretty disaffected with EU institutions. That is by no means unique to the United Kingdom. If one looks at the opinion poll findings in France or Spain in particular, one will find some real

disillusion in those countries. If you talk to parliamentarians in Scandinavian countries and the Netherlands, you find that there is a very keen appetite for reform of this type. The Dutch and Danish parliaments have both produced papers advocating changes that are very similar to the ones that we are putting forward.

It is true that there have been only two yellow cards. Part of the problem is the very short window of time that is available to national parliaments to submit a reasoned opinion, and the fact that if one looks strictly at the current grounds on which a yellow card can be tabled, it relates to subsidiarity only and not to proportionality or other factors. At the European level those things need to be addressed. I also think there is a challenge to parliaments themselves in how to organise their own affairs and procedures so that they are in a position to respond rapidly to a decision to submit a reasoned opinion, but also to network with other parliaments. Just as Governments around Europe have had to get used to the idea of picking up the phone or texting Ministers regularly and trying to construct agreements, comprises and common positions, so will parliaments, if the system is to work well, need to develop that sort of networking approach too. I think the red card would add something to our armoury. National parliaments being able to say in sufficient numbers, “Look, this point clearly does not command democratic consent across Europe as a whole, so call a halt”, would, it seems to me, be a constitutional check that a sensible Europe would find a place for.

**Q16 The Chairman:** Minister, finally, following on from that, we come to the question of green cards. It would be fair to say that many of us—indeed, we have contact with other member states and their national parliaments—feel that there has to be a forward gear for the process, as well as the reverse gear that is implied by a red or yellow card. You will be aware that we recently tabled proposals, based on the work of this Committee and its sub-committees, on food waste. That appears to be attracting quite a wide degree of sympathy and support. Do you see this as a worthwhile process, and would you be minded to support our efforts in putting forward the green card and perhaps even throwing it into the negotiating process—if I can put it simply, to show that the British are capable of thinking constructively, as indeed they have done about the digital market?

**David Lidington MP:** I think this is a very welcome initiative indeed and I hope that it is successful. It is clear from your letter to President Juncker, Lord Chairman, that this Committee, and I am sure the other committees around the EU, see this as a way of shifting the political culture for the better within the EU, to have better decisions that are better

connected to citizens. That is what everybody says we always want, and this is a mechanism for achieving that.

**The Chairman:** A micro point, if I may, following on from that. We are currently looking at your EM and the draft institutional agreement. You say that much can be done on relations between the EU institutions and national parliaments. Could you stress this in negotiations on the IIA as well?

**David Lidington MP:** I am very clear in my mind that we need to have some clear forward movement on the role of national parliaments. There is resistance from some member states—by no means all—to doing that within the specific framework of the IIA. Since the IIA is designed mainly to include the European Parliament, the fact should be borne in mind that there will be views there about the relationship between the European Parliament's responsibilities and those of national parliaments. So it may be that we need to work on the national parliaments agenda in some sort of parallel process. I have discussed this with Vice-President Timmermans on more than one occasion, and we will continue to take this forward.

**The Chairman:** Thank you for that. I note a degree of welcome warmth on your part about the idea of the green card as well. You did not answer in terms—I am not sure whether it will feature in the negotiations—and it would be nice to feel that you could put that into the pot as a positive British suggestion. I notice that you are nodding—

**David Lidington MP:** It seems to me that this is a very constructive and creative proposal. I would be delighted if we could get this included, but what I do not want to do is to suggest exactly where this might stand in terms of a whole range of objectives that we are seeking.

**The Chairman:** Even if the Chairman had not intervened, a Commons Division is doing so. Thank you, Minister, and your colleagues. There will be follow-up questions from this Committee, I am sure. Two members, I know, wanted to table their own thoughts. Equally, if you wish to send further material to us, please do so. I should like you in particular to be aware that we are minded to produce a short report before the Summer Recess about all this, as a way of informing our House. It would be very helpful if you undertook to give us a reply within a week or thereabouts. We will not ask the impossible, but that would be very useful—and, in the spirit of your answers today, proceed with that. We will of course put that alongside the transcript in due course—if that happens—and the usual arrangements apply.

In conclusion, so that you do not miss your vote, our thanks to you. We have not answered all the questions, but perhaps that would not have been possible at this stage in the negotiation. However, I am sure we will be seeing more of you in the future.

We now adjourn the public evidence session and will resume a deliberative session as soon as our guests have left and the Gallery is clear.