

Liaison Committee

Oral evidence: Evidence from the Prime Minister

Wednesday 4 May 2016

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Members present: Mr Andrew Tyrie (Chair), Nicola Blackwood, Crispin Blunt, Andrew Bridgen, Neil Carmichael, Sir William Cash, Frank Field, Meg Hillier, Mr Bernard Jenkin, Neil Parish, Keith Vaz, Pete Wishart, Dr Sarah Wollaston, Mr Iain Wright

Questions 1–97

Witness: **Rt Hon David Cameron MP**, Prime Minister, gave evidence

Q1 Chair: Thank you very much for coming to give evidence, Prime Minister.

Mr Cameron: A pleasure.

Chair: We are particularly keen because, of course, you were initially reluctant; but we are very glad you have changed your mind.

Mr Cameron: That's a nice start—always keen.

Chair: We are always pleased to see you. You are welcome to come more often if you particularly want to, Prime Minister, but I do value the opportunity, particularly on this subject—I think we all do—bearing in mind we have got the referendum coming.

Perhaps I can begin by quoting, as an opening question, what you said in your Chatham House speech. You said, “if we can't reach...an agreement”—that is, the agreement you have negotiated—“if Britain's concerns” are “met with a deaf ear...we will have to think again about whether this European Union is right for us.” Is the current EU, without the renegotiated package, right for us?

Mr Cameron: That is not the choice we have, and that was the choice I was determined to avoid. I thought that would have been a bad choice, if we had said to people, “You can either stay in this organisation, which we think has failings that need to be addressed, or you have to leave altogether, with all the risk that entails.” And so I was determined to avoid that choice by having a negotiation, which I think was conducted, you know, successfully.

Q2 Chair: What I am asking is: in the absence of the renegotiation, would you have argued for leaving?

Mr Cameron: Well, I have never argued for leaving. I mean, I haven't spent my political life arguing for leaving. I have said that I think we are better off in a reformed Europe, and as Prime Minister I have had the chance to deliver a reformed Europe. I am not saying that what we have achieved solves all of Europe's problems; I have even said on many occasions before that it doesn't even solve all of Britain's problems with Europe. None the less, it does address some of the key problems. It was a successful negotiation.

I said in that speech, and I have said it many other times, that if this organisation had rebuffed one of its leading members and contributors and said, "Look, we're simply not going to address these things—we're not prepared to talk to them," we at that point would have had to say to ourselves, "Is this really an organisation for us if it's so deaf to the proposals of its members?" I am glad that it did respond.

Q3 Chair: I am just asking what you meant by that, Prime Minister. I am asking whether you would now be arguing for withdrawal.

Mr Cameron: In my political career, I have not argued for leaving the EU.

Q4 Chair: You have said that already, but I am asking, seeing as this is not a hypothetical question—

Mr Cameron: It is a hypothetical question, because we don't—

Chair: It is not a hypothetical question.

Mr Cameron: It is, because we don't have a choice.

Chair: Prime Minister, it is not a hypothetical question.

Mr Cameron: We don't have a choice of leaving the status quo or staying in the status quo.

Chair: The EU—the current EU—is not something that we have to imagine; it is the one we are in. The hypothetical question is what the EU will look like after the renegotiation. We don't know how that will work. I am asking you a real question, not a hypothetical one, which is, "Would the current arrangements in the EU be so unsatisfactory that you would now be arguing that we should leave?"

Mr Cameron: That is a hypothetical question. Your question actually begins with the word "if": "If we hadn't got a renegotiation, would you stay in the EU?" That is a hypothetical question. And my point is, I never wanted the British people to have to answer that question, and that is why I said, "We want a renegotiation and then a referendum." Now, if you are asking me what has my view been about Europe over the years in an unreformed state, I have answered that very clearly.

Q5 Chair: No, I haven't asked you that question, but it is nice of you to have a go at answering it. What I am trying to do is elicit from you whether the decision on whether we should vote yes or no in this referendum is based on what you have delivered in this renegotiation.

Mr Cameron: Oh, I can answer that. I think some people will say, "Whatever he negotiated, I would want to stay." I think other people will say that whatever I have renegotiated, they will want to leave. I think there are some people who would say, and I hope there will be many of them—

Q6 Chair: I am asking what you would say.

Mr Cameron: I am going to be voting to stay in a reformed European Union on the basis of the choice that is in front of us.

Q7 Chair: So, back to where we were. We are in the current EU—the one we have got now. Do you think we should vote to stay in that?

Mr Cameron: Well, that is not the question in front of us.

Chair: Well, it is the question I have just asked you.

Mr Cameron: Well, the question in front of us is, “Are we going to—”

Chair: What is your answer?

Mr Cameron: I don’t know where you are going with this. I stood for Parliament in 2001—I stood in 1997 unsuccessfully, and then I said, in 1997, Britain should not join the single currency but I did not oppose our membership of the EU. And all my political life, I have been in favour of staying in but getting reform, and as Prime Minister I have had a chance to deliver that reform. I would argue that, from a standing start, we have delivered more reform than people have done in the past or people expected, and on that basis I would recommend people stay.

Q8 Chair: Most people around this table will be asking you questions about your renegotiation, in one way or another. What I think the public quite reasonably want to know is how much store they should set by its importance for their decision. I have been asking you, for several minutes now, to answer that question, but I don’t feel that we’ve yet had—

Mr Cameron: What I would say to people is—

Chair: If you have a new point to add, please do, but otherwise we’ll bring in other colleagues.

Mr Cameron: What I would say to people is, I think the renegotiation is an additional reason to stay. It has addressed some areas that people had real concerns about—that the EU is too much of a single currency club, too much of a political union, and that there is too much emphasis on our welfare system drawing people to the EU and not enough emphasis on growth. I have corrected those four things, and I think, for a lot of people, that will make an important difference; it certainly makes a difference for me. But we are, frankly, now asking an even bigger question, which is, should we stay in this organisation, or should we leave and then work out all the consequences of leaving?

Chair: That is what we are going to discuss this afternoon.

Mr Cameron: Just to be clear: I don’t over-emphasise the achievement of the renegotiation. As you can see from all my speeches in the campaign, I talk about the biggest issue of all, which is stay or go.

Chair: I am going to bring in more colleagues. Bill Cash.

Q9 Sir William Cash: Thank you very much, Chair. On your renegotiation package, Prime Minister, which you just said was so successful, in fact your promise of full-on treaty change

failed. You promised a fundamental change in the relationship that we have with the European Union, but all you actually got was later discussions in the Council and no change whatsoever in the powers of the EU institutions. Even future exemption from ever closer union requires treaty change. You claim the package is irreversible, and yes, it is an international agreement, but it is not EU treaty change and cannot be described as irreversible in EU law. The Danish and Irish examples are not precedents, as was made very clear by the legal adviser to the European Council in evidence to the European Parliament. No one, including the Council, can control future decisions of the Court, nor changes in member states' Governments, or outcomes of referendums, as the House of Commons Library analysis on the package clearly shows.

In a recent UK opinion poll, 57% said they did not trust your package; only 22% did. So, when the voters vote on 23 June, it will be an historic vote on your package as a whole, but as you cannot guarantee, or even offer, a treaty change before they go to the polling station and cast their votes, are you not thereby cheating the voters when they vote on that historic occasion?

Mr Cameron: No. Look, Bill, you and I have a long-standing and mutually—I hope—understood disagreement about this. Let me run through some of those points. First, we have achieved full-on treaty change. There is, in the international legal agreement that we have negotiated, the commitment to treaty change in two vital areas: on ever closer union—

Q10 Sir William Cash: No, you absolutely have not.

Mr Cameron: You asked a very long question and I will try and give a shorter answer. That is important because treaty change in those two areas is, I think, very important. You asked whether it is irreversible. That is not just my view; that is the view of, for instance, Sir Alan Dashwood, QC, who says, “I specialise in European Union law, and it’s clear to me that the deal is irreversible in practice”. So I don’t agree with you about that.

How fundamental is the change that we are achieving? Well, I think it is quite fundamental, because getting Britain out of ever closer union reinforces the special status that we have—out of the eurozone; out of the no-borders agreement; now out of ever closer union. And I think actually this change with respect to our currency, the pound sterling, not being discriminated against inside this organisation, is quite fundamental, too, because the EU today is a Union of countries, some of whom share a currency and others of whom don’t, and for the first time we have got this proper, legal status for saying that if you are in the EU and you have your own currency, you can’t be discriminated against. I haven’t mentioned the fact that we are cutting the welfare payments that EU citizens receive when they come to Britain; that is pretty fundamental and has never been achieved before.

So for all these reasons I, as it were, fundamentally disagree with you. I think, when people go to the polls, they should think about the whole issue—the EU as it is going to be; or leaving—but I think the renegotiation was successful and I think it achieved some very fundamental goals.

Sir William Cash: Well, you are talking repeatedly about the question of international agreement. I have made it clear that, on all the best legal advice—you mentioned Sir Alan Dashwood, QC—the former legal adviser to the European Council actually made it absolutely clear that he did not agree with those proposals. And frankly, what you are saying is that you want us to stay in the European Union, but at the same time you are actually presenting the voters with a decision on 23 June based on a false prospectus. Because it is not

irreversible—[*Interruption.*] It is not irreversible—[*Interruption.*] It is not irreversible and you cannot say that it is. You can't predict, Prime Minister, whether or not there are going to be any Court decisions following that agreement. They are not part of EU law. You can't say that there won't be changes in government and you can't say that there won't be outcomes of the kind we have had before in referendums, which may happen.

Mr Cameron: I am not just quoting one lawyer. I have got the Attorney General of the United Kingdom: "The suggestion that this agreement does not have legal effect until it is incorporated into EU treaties is not correct." He said the position is this: the deal will have effect at the point at which the UK notifies the European Union that it wishes to remain. Indeed, the legal adviser to your own European Scrutiny Committee, in the summary of their legal analysis, says: "The renegotiation package is based on an international agreement which is binding in international law". He goes on to say: "The international agreement is 'irreversible'".

What I would say, Bill, is, look, let's not argue that we're doing all these things on false prospectuses; let's have an honest disagreement. You want to leave the EU; I want to stay in a reformed EU. We have a referendum because we have a Conservative Government and a Conservative Prime Minister. Let's have a—you know, there are lots of big things to talk about—whether we are better off in or better off out, and all the rest of it, but accusing each other of false prospectuses when the legal opinion is very clear, I think is a waste of time.

Q11 Sir William Cash: Well, I'm sorry, but lastly I just make the point that you have quoted various opinions but Sir Francis Jacobs, who is one of the most pre-eminent QCs in the country and was vice-president of the European Court, has himself made exactly the same points as I have. I really think, if I may say so, that you are just trying to get away with something.

Mr Cameron: I think that's wrong on all grounds. I think that, to be absolutely fair, you have always wanted, I think, something which I think is unattainable. You have wanted, I think, for many years to find a way of not being subject to the European Court, not being subject to the common rules of the single market and the rest of it, but somehow to find an associate status within the EU. In my experience of six years of being Prime Minister and all those European Councils and all the rest of it, that sort of status isn't available. I think the option really is a special status within the EU, which is what we have delivered, and I think we can probably deliver more of over the years: not in the borders, not in the currency, not in the political union. I think the choice is between that or leaving altogether; and in making that choice, I don't think we should accuse each other of false prospectuses, because that is what the choice is and that is the choice that the British people are going to make and are going to deliver.

Let me make one more point, Bill. When I think back to all the things we talked about in the 1990s—the Maastricht treaty and the single currency and all the rest of it—there were people, and I think you were one of them, who said, "These opt-outs from the EU and the single currency are worth nothing. They won't work." But I can tell you that for the last 40 European Councils, or whatever it is, I used that opt-out the whole time. It is very successful. It has kept us out of the single currency. It has protected us in a very effective way. So I don't accept this idea that if you get an agreement in Europe, it doesn't stick—it doesn't work. The Danish agreements worked for them, our agreements have worked for us, and this agreement will work for us. Let's have the referendum on that basis, rather than pretending that somehow what we've got doesn't work.

Q12 Meg Hillier: Prime Minister, you are probably aware that the Public Accounts Committee recently looked into EU budget management. We were really disturbed to see how much goes back to Europe in penalties. You are avowedly pro-Europe, but the incompetence of your Government is fuelling the Brexit argument. What are you going to do to sort out the money that should not be going back to Brussels but should be going into the pockets of farmers and others?

Mr Cameron: Well, we obviously need to do better at the way that money is spent and the way that systems are established. I think a lot of this dates back to the first time the Rural Payments Agency was set up and problems with that agency—

Q13 Meg Hillier: Sorry to interrupt, Prime Minister. You say it dates back, but your officials have said that it is going to get worse before it gets better.

Mr Cameron: I think it is going to get better, but I think we should stand back for a second and say, “Why do we have these rules?” Actually, they are there to try and make sure that all countries spend money properly, and that there isn’t fraud or misappropriation and all the rest of it. But I totally accept, if you are saying we need to do better at making sure that systems are in place, money is spent effectively and we absorb the money that is there available for us from the EU, I completely agree with that.

Q14 Meg Hillier: Well, just to comment, Lithuania has a much better record than we do, so it would be good to see if we could get as good as that at some point.

In the event of Brexit, one of the concerns that I would have is that the UK would not be able to continue to share important data on things like air passenger information, given the new directive that is coming, and other data that is really vital to the security of our citizens. Have you thought about what the consequences of that would be and how you would ameliorate those if there were a vote to leave?

Mr Cameron: Yes, I think this is very serious. I was talking earlier about how I have had a pretty clear view about Europe and reform over the last 15 to 20 years, but I would say one area where I have definitely changed my opinion is that I used to believe that NATO, “Five Eyes”, the partnership with America, the police, the intelligence services, was how we delivered security. “Europe’s got nothing to do with security,” I probably would have argued five or 10 years ago. There is no doubt in my mind that it has changed. Those things I have just mentioned are all still unbelievably important and they are the most important things, but there is no doubt in my mind that passenger name records, criminal records data, fingerprints, DNA, terrorist information, border checks and border information—those things taken together—are incredibly powerful and important to protecting our security.

Now, what would we do if we left? I think there are some things it would very difficult, if not impossible, to get back into. The European arrest warrant is actually very powerful for being able to arrest and bring back people to Britain very quickly. There are some things that theoretically you could negotiate your way back into, but it would take a lot of time, at a moment when we face a great danger in terms of terrorism. Then there are some things I suspect that you could get back into, but you would never have as much influence in them as you do now. Europol is a good example. The head of Europol is a Brit and I think if we got out of that, we would want to get back in, but we would never get back in in the same way.

My argument would be that the safer part of “stronger, better off, safer” is very important. I don’t think it has had enough attention. If you listen to intelligence chiefs, police chiefs and others, they are giving a very strong message about how valuable it is. Passenger name records is a great example, because it is something that we have fought for very hard. We are finally getting that done and I think it would be a great mistake to leave those arrangements and then have to work out how to get back in again afterwards.

Q15 Meg Hillier: Prime Minister, it might surprise you, but as a former Home Office Minister, I would agree with you on that, which then brings me to ask, why, as such a pro-European, have you chosen to put the UK’s security at such risk by putting forward the agenda of your party, rather than the national security of this country, and having a referendum?

Mr Cameron: I think there is a big issue about the referendum, which is that it is time for Britain to have another choice. We made this choice 40 years ago—

Meg Hillier: But Prime Minister—

Mr Cameron: Hold on; let me finish. We made it 40 years ago. This organisation has changed quite a lot, and I think you can’t hold a country in an organisation against its choice. There is very wide support for holding a referendum, and I don’t think we should be frightened of that. We should go into it and make the arguments as we are. The arguments about safety and fighting terrorism, fighting crime and fighting cross-border drugs and weapons and the rest of it, strongly argue for staying in a reformed EU.

Q16 Meg Hillier: But there is a huge risk if we leave, and there is a real concern that the infighting in your own party has led to that.

Let me move on to one final point about tax. Again, you know that the Public Accounts Committee has been watching this very closely. The Committee has made a unanimous call for greater transparency in reporting corporate tax in the UK. We know that the Government is keener to act in concert with European partners, rather than go it alone. If Britain were to leave the EU, would you want to follow Europe, or would you take a lead and try to influence the agenda from outside the EU?

Mr Cameron: We have always argued when it comes to things like tax transparency that there is a role for the EU, but, actually, we should try and do as much as we can on a OECD-global basis because you can set standards even more widely.

Q17 Meg Hillier: I am talking about within the EU. I know the OECD has a role, but what about within the European Union?

Mr Cameron: Within the EU, we support, for instance, the move towards country-by-country reporting. That is a very good thing.

Q18 Meg Hillier: But if we were outside?

Mr Cameron: If we were outside, again, this is one of the big arguments we need to make. There are frustrations with being in the EU; there is no doubt about that. I feel that as Prime Minister. There are parts of it that aren’t right and things we need to change, and there are frustrations and limitations. But this is a good example of something we want to achieve; we think it is in our national interest. If we weren’t in, these discussions would be going on and we would be knocking at the door, trying to get involved in them, but we wouldn’t have a say.

If we take something like tax transparency, this has been a very much British-driven initiative. There are quite a lot of things I can point to in the last six years—sanctions against Russia, sanctions against Iran, raising money for fighting Ebola in west Africa, and tax transparency—where it is a totally British-led initiative that got a result.

Q19 Meg Hillier: Okay, so would you lead from outside the EU? Would you go it alone?

Mr Cameron: You would try, but it would be more difficult; because you wouldn't know whether other countries were going with you, you'd probably find that it was harder to make progress on an agenda like that.

Meg Hillier: Thank you, Prime Minister.

Q20 Mr Wright: Prime Minister, I want to talk about trade. Members of your party—indeed, members of your own Cabinet—have stated that UK trade is being held back by our membership of the EU. Why are they wrong?

Mr Cameron: I think the argument here is, do we sign trade deals faster inside or outside the EU? I think the evidence is that we sign better trade deals and increasingly more quickly from inside the EU, because not only is this agenda now very much an EU agenda, when perhaps it wasn't in the past, but we also have the clout to get good deals.

Q21 Mr Wright: What is the evidence for that?

Mr Cameron: The evidence for that is things like the Korea deal, the fact that we have made huge progress on an EU-US trade deal—again, a British initiative, started at the 2013 G8 summit in Northern Ireland. The argument that the Leave campaign makes that it would be easy to sign trade deals outside the EU, I do not think stands up to scrutiny.

If you look at countries signing trade deals, rather than trading blocs, they are less good deals. Much of the best deals have been done between different blocs. If you think about it from Britain's point of view, they need to be good trade deals, particularly for Britain, because our economy is so services-based that it is much more difficult to get the access to services than it is to have a simple agreement about tariffs on goods. It is particularly in our interests to use the EU as the battering ram for getting that done.

Q22 Mr Wright: And you don't think that Britain, by leaving, could negotiate more favourable terms for UK trade, based upon the specifics of our own economy, based upon services, for the EU and other global markets that we currently do not enjoy.

Mr Cameron: I don't think—if we left, we would certainly have to try, but I think we would have some major disadvantages. Disadvantage one is that the first thing we would have to do is work out our trading relationship with the EU, because 44% of our exports go to the EU; it is our most important market.

The first thing the Government would have to do would be to think, "Right, what is the arrangement going to be?" This is where the Leave campaign faces some real difficulties, because either you say, "We want as full access to the single market as possible, so we will have a deal like Norway," but if you have a deal like Norway, you are still paying into the EU and accepting free movement of people between you and the EU. You have got that access to the single market, but you have no say on what any of the rules or regulations are. That is why the Norwegian Prime Minister says to me, "Don't do a Norway deal."

Therefore, if you do not do that, you start looking at Canada-style trade deals, which is a good deal for Canada, but it has taken seven years to negotiate and they haven't completed it. It would be quite difficult to work out what your trade arrangements are with other countries and blocs in the world until you have sorted out your EU deal, which is why I think we would be looking at potentially a decade of uncertainty as we tried to fix the EU trading arrangements, and then think at the same time and afterwards of what our other ones would be. My argument is that the Leave campaign has not thought this through sufficiently.

Q23 Mr Wright: You don't think there is a trading arrangement or model that we would seek to emulate in the event of Brexit. You've mentioned Norway. What about Switzerland? Both Norway and Switzerland are very successful and prosperous trading nations with the EU. Wouldn't that work for us?

Mr Cameron: I think they both have the same problem, which is that, in the case of Norway, if you take that as an example, they pay into the EU and accept free movement of people—so you have not achieved those two objectives, which I understand are objectives of the Leave campaign—and they accept all the rules, but they have no say over them.

For a country like Britain, the fifth biggest economy in the world and the second largest economy in Europe, do we really want our trading relationship with this very important—the most important—trading partner we have to be on the basis of being a rule taker, someone who has no say over the rules, and yet is paying into the system, as Norway does, and accepting free movement of people? That is a much worse deal than we have now, so why would we want that? That is why I think that argument, where the Leave campaign started thinking that Norway was a good model, has been dropped now and they have started talking about Canada.

Canada is a good trade deal for Canada, thousands of miles away from the continent of Europe. It is not a good deal for Britain, because it does not have full access for services; it doesn't even have full access without quotas and tariffs for farming and food, and it has taken seven years to achieve. That is why, in my view, the Leave campaign hadn't sufficiently thought through how you get these trading arrangements in place, and that is why I think their argument is now collapsing into purely talking about migration and money.

This idea that Britain was going to rush off and sign deals with the rest of the world and all that, they have dropped that now because it is obvious that does not work. I also think there is a bad premise behind it, which is the idea that you either trade with Europe or you trade with the rest of the world. That is obviously nonsense; we want to do both, and there is nothing to stop us doing both.

Q24 Mr Wright: In the event of us voting to remain, other EU member states will want to get back to business as usual virtually immediately. Is business as usual good enough for you? It goes back to the Chair's opening—

Mr Cameron: No, it's absolutely not.

Q25 Mr Wright: So what reassurances can you give us that actually you are going to fight to make sure that we get a better deal when it comes to trade for Britain? What steps are you planning to take on that?

Mr Cameron: First, in the renegotiation documents, which are this international legal treaty—legal, binding and irreversible—there is a lot of material about signing trade deals more rapidly with the rest of the world, the deregulation agenda, to try and make sure that Europe is more competitive. So, I would say that business as usual for the EU post the referendum should be focusing on that agenda, and I think it would be.

I would also make the point, because I think it is important in this debate, some people say if we vote to remain, business as usual would be a barrage of regulation and centralisation and all the rest of it. I think we have got very good protections against that: first, we are out of ever closer union—that is important; it effects the way the European Court will work—and, secondly, we have this guarantee that any power proposed, being passed from Britain to Brussels, results in a referendum in our own country. Of course there are risks to every course that you take in life, but in terms of reducing the risks of staying, I think that has been done very effectively.

Q26 Mr Wright: Do you think the TTIP negotiations are dead?

Mr Cameron: No, not at all. I think that—I am hopeful there will be a successful conclusion. I think there have been 13 rounds of discussions. A lot of what needs to be agreed has been agreed. It is going to take a bit of political courage from both sides to get over the line, but it is a very big deal for Britain. It could result—as I said at Question Time—in hundreds of millions of pounds of benefit for our economy.

Q27 Mr Wright: A final question: Prime Minister, do you think we could have done more to save the British steel industry if we hadn't been a member of the EU?

Mr Cameron: I don't actually, because, first, a lot of the output of our steel industry goes to Europe; it is its biggest market. If we take Port Talbot, I think it is as much as 40% of the output. But, secondly, if we were outside the EU, we could be subject to the very same anti-dumping tariffs that we have been talking about with respect to China. So I don't think it would have been a good future for steel. When I went to Port Talbot the other day, I was quite struck, actually—whether I was talking to the unions, or the management, or the local MP or anybody else—that they seemed to take the same view.

Q28 Neil Carmichael: Prime Minister, my Committee—the Education Committee—really has very little interface with Europe at all, like many other Committees, so I am going to be focusing on the economic interests of young people. I am going to start with the observation that Gerald R. Ford, President of the United States, actually said, back in 1975, exactly what Obama said recently. No American President has ever questioned the need for us to be members of the European Union. Of course, that has been endorsed by the Prime Ministers of New Zealand and Australia. So is it any surprise that the Leave campaign is thinking about Albania as an alternative source of economic trade and political strength?

Mr Cameron: One of the arguments that I have become very aware of over the last few years is our friends in the world, whether it is countries from the Commonwealth, or partners like the United States—it is very difficult to find a Prime Minister or a President who thinks that Britain would be better off leaving the EU.

This discussion about Albania has come up because one of the Leave campaigns was making the point that there is a free-trade zone right across Europe, including countries like Albania, or Iceland or what have you. Actually, it's a bit of a misnomer, because all those states have

separate agreements with the EU. If you look at, for instance, the ones in the Balkans, they are countries that want to join the EU and they get some preference on trade, but they also have restrictions on what they can sell to the EU and their economic relations with the EU. I would also make the bigger point, as you are: what on earth are we doing thinking that a model for Britain—the fifth largest economy in the world—is somehow to try and imitate the trading relations that Albania, or Macedonia, or Ukraine has with the European Union?

The question we have got to ask ourselves is, can we get better arrangements than the one we have now? I think the answer to that is, no we can't. Therefore, what we ought to do is deliver the special status we have in the EU. Going back to the Chair's original question, I would say put the renegotiation alongside previous things that British Governments have done to demonstrate the special status. Britain is different. I am not arguing that we should accept Italian membership, or French membership or German membership of this organisation. We are different. We haven't been invaded for 1,000 years. We have got institutions, like this House of Commons, that we revere and care about. We have had this extraordinary role in European history. As Churchill said, we are not of Europe, but we are with Europe. Let's have a status that reflects that. I think we will not get that from the outside, whereas we can get it on the inside with that special status, which we should build on.

Q29 Neil Carmichael: Thank you. Eight economists have joined the Brexit campaign and come up with some reasons why we should leave. How does that stack up with, for example, the observations of the OECD, which make very plain that about a month's salary per year would be lost by each person if we leave the EU? How does that contrast with the widespread agreement among business that our best interests, in terms of investment and jobs, are to remain in the European Union?

Mr Cameron: Well, obviously, I am sure Mr Tyrie's Committee will examine all these arguments in great detail, but it seems to me that you now have a weight of evidence—from the Bank of England, the IMF, the OECD, the report from the Treasury, the CBI and other organisations—looking at the economic arguments and all finding that, when you look at the economics, the case for staying is very strong. The economists that came out for Brexit made some fairly odd assumptions about the rest of the world just taking down trade barriers with us automatically. They also did not seem to mind—Patrick Minford, in particular—that, if it led to a wipe-out of manufacturing, it was just something we had to take on the chin.

I would look carefully at what they are saying, and the arguments made by all those other organisations are very persuasive. The Treasury paper particularly was quite straightforward, because it was making an argument about the benefit of the openness of our economy to trade with Europe and the other countries we have trade deals with, and just basically explaining that, if you go for something more restrictive—a Canada model or a WTO model—you are going to suffer economically. I think most informed opinion would agree with that.

Q30 Neil Carmichael: We would, of course, need at least 66 new free trade agreements to replicate what we are leaving if we chose to leave the EU, not just because we would be out of the single market, but because we would lose the contact through the EU to other markets. Do you think we have the capacity to quickly and effectively conclude those agreements, so that less damage is done to our economy, or do you think it will take some time to conclude agreements?

Mr Cameron: I think I am right in saying that, currently, our EU trade deal and other trade deals cover something like 60%—if we do the US and Japan deals, it could be up to 83%—so

a huge percentage of our trade is going to be covered by these deals. Obviously, if the British people vote to leave, we will have to work very hard to get as many deals in place as quickly as we can. As I said before, I think the difficulty will be that you have got to work out your trading arrangements with the EU pretty quickly, because it is going to be quite difficult to do trade deals elsewhere until your trading partners know what they are. All the evidence is that that will take some time, particularly when you look at the Canada deal, which has taken seven years and is still not in place.

I thought Pascal Lamy, the former head of the WTO, was interesting this week, when he described swapping—I think Minford et al wanted to do this—our participation in the single market for the WTO as a terrible replacement. If we had WTO rules today, we would have 10% duty on our cars, 30% duty on our clothes, and perhaps as much as 70% duties on our beef. These are very real consequences. If you don't get a good and fast deal with the single market, that is what you could be left with.

Q31 Neil Carmichael: When we as a country have been firmly in the European Union—not worrying about whether we are in or out, but playing a leadership role across Europe with our allies and partners—we have been quite successful. Indeed, if you look at the single market, that was a product of Margaret Thatcher's premiership, Lord Cockfield as Commissioner for Trade, and other individuals. When we are active, we can bring about real and significant change. Do you see possibilities of that happening if we decide to remain in the European Union beyond the referendum?

Chair: Briefly, if you can.

Mr Cameron: I would just highlight a couple of things. Because of the economic problems that the eurozone members have been having, there is a recognition that, when interest rates are close to zero and when Government budgets are stretched, one of the best things you can do to help grow your economy is to have sensible deregulation and sign trade deals with the rest of the world. The British agenda of doing those things is something we can push very hard, which is why that part of my renegotiation had the most widespread support. We can very much lead on that issue, which would be good for us. As you say, the single market was very much a British creation. It is true that it has led to some of the frustration we have had in Britain, because obviously common rules can be immensely frustrating, but it is important.

Q32 Chair: You had a second point that you wanted to make.

Mr Cameron: I think there are other areas we could lead on. One is the issue of how we fight extremism and terrorism, where in our country we have a lot of expertise, because of what happened in 2005 and because we tooled up earlier in our capabilities in fighting terrorists. I think we are ahead of others in Europe, and if we remain in the EU, I would like to give as much leadership on that issue as I can.

Crispin Blunt: Forgive me if I can't bowl as slowly as Mr Carmichael. May I commend to you the report put out by the Foreign Affairs Committee last week, which was unanimously agreed by a Committee split down the middle on the issue? It might help you to save time and not to shoot so many Aunt Sallies about whether we should have a Norwegian or a Swiss model and all the rest of it. The collective view of the Committee is that if there was Brexit, we would need to enter a new arrangement specific to Britain. We would probably go to World Trade Organisation terms within two years, because it might be quite difficult to

negotiate that deal within two years. That is a position agreed across the Committee. I think we can dispose of the other—

Mr Cameron: Frankly, I think—

Crispin Blunt: The question I want to ask you, to challenge your assumption, is: if the atmosphere with the EU is so difficult in the wake of a Brexit, why does the EU have to be first? Why can't we negotiate a free trade agreement with anyone we choose?

Mr Cameron: My direct answer to that is that because 44% of our exports go to the EU, because it is such a crucial market for us and because our businesses are so integrated with it, I think it would be very damaging to our economy if we left that for a long time and decided—

Q33 Crispin Blunt: But that is why the Canadians and Americans take a very long time to negotiate a deal with the EU, because they are negotiating on behalf of 27 nations and they are big, complex deals. We would be much faster at getting a deal with other countries, wouldn't we? Country-to-country negotiations are often completed within two years.

Mr Cameron: Of course you might be able to do that, but if you have not secured the market where 44% of your goods—

Q34 Crispin Blunt: If you can't secure it, you don't have a choice, do you?

Mr Cameron: Stand back from that a second and just think what it means. If you are accepting that WTO rules come in, rather than a bespoke—

Q35 Crispin Blunt: You have to. We know that. The Committee has agreed that that is the bottom line.

Mr Cameron: Well the bottom line is that you are then going to have 10% tariffs on your cars, 30% on your clothes and 70% on your beef. You are going to lose—

Q36 Crispin Blunt: And quite quickly the interest of our partners—the mutual interest in a deal—will then assert itself, won't it?

Mr Cameron: Let's deal with that—I think it is really important. I want to make two quick points, if I can, because this is really important. Let's deal with the mutual interest first. We would negotiate very hard—of course we would—but remember that the figures are that 44% of what we export goes to them and 8% of their exports come to us.

Crispin Blunt: That's well rehearsed.

Mr Cameron: Okay. Second point: never forget the importance of services and financial services in our economy. If you lose the support we have—

Crispin Blunt: How important is—

Mr Cameron: Let me give you just one example—*[Interruption.]*

Chair: Let the Prime Minister finish his point.

Mr Cameron: I just want to make one point. For instance, the head of stock exchange, sitting at the Cabinet table the other day, said that he thought we would lose 100,000 jobs in London because of the passport issue—because you lose that aspect of any bank or financial services company being able to locate in London and instantly sell its services to the other 27 members. If you take the Crispin Blunt approach and say “Okay, we’ll leave our relationship with Europe, we’ll go to WTO rules, we’ll negotiate with the rest of the world,” you would face massive tariffs and huge dislocation for your economy. I think it would actually be economically much worse than the Norway option.

Crispin Blunt: You would face WTO terms, but I think massive tariffs is something of an exaggeration—another Aunt Sally that should be disposed of.

Mr Cameron: It is not an Aunt Sally, because they are there for everyone to see.

Q37 Crispin Blunt: I want to ask about your handling and leadership of the Government. Outside the special circumstances of the renegotiation, how much of your time is given to advancing or protecting Britain’s position within the EU?

Mr Cameron: How much of my time as—

Crispin Blunt: Outside the special circumstances of the renegotiation, how much time does EU business take out of your day?

Mr Cameron: A very good question. I could probably write to you, but I would have thought it was somewhere between 10% and 15%. When we have had these crisis summits—

Crispin Blunt: How often do you speak—

Chair: Hang on a minute. Prime Minister, why don’t you drop us a line?

Mr Cameron: It’s a very good question. There are a certain number of European summits every year, a certain number of extra ones because of emergencies, a certain amount of European diplomacy, and obviously domestic issues relating to Europe. I could have a stab and estimate probably 15%. Obviously the renegotiation took a lot of time, because I visited almost every country, sometimes more than once, and that took up a special amount of time. I would reckon 15%, but I will get back to you if that is wrong.

Q38 Crispin Blunt: How often are you speaking to the French President and the German Chancellor?

Mr Cameron: I would say that I probably speak to the German Chancellor fortnightly or every three weeks.

Q39 Crispin Blunt: And other European leaders?

Mr Cameron: I would say that I speak to the French, German and Italian Prime Ministers probably more than others, but it really does depend. If you take recent weeks, when we have had this intensive action over the migration crisis, I have been talking a lot because we have been playing a part—although we are not in Schengen, so those people cannot come across our borders. We actually played a very big role in getting that deal together with Turkey to send people back from the Greek islands. So there were a lot of calls with the Germans and

the French and, particularly on this occasion, with the Dutch, because their country currently holds the presidency.

Q40 Crispin Blunt: I want to try to explore the evolution of your views and how you have changed since you became leader of the party. When you first led the Conservative party, you took us out of the EPP-ED into a group that now includes some rather interesting colleagues, yet now you say that your views have changed and you can see the value of the EU for security. If that is the direction of travel, why is defence not in this? It obviously will be—it is in the treaties.

Mr Cameron: In terms of the things that really haven't changed, I definitely think we need European reform. I think we are better off in, and with that reform. I totally think it was right to come out of the European People's party and set up our own political party, which I am proud to say is now the third largest in the European Union and is a party for reform. It is not signed up to a federal Europe or any of these other things, and it has real heft and influence.

In terms of what I said about security, the argument I am trying to make is that 10, 15, 20 years ago, I suspect a lot of us would have said Europe is about trade, economics, political co-operation and the rest; security did not really come into it. In recent years I have seen how important security is. In terms of defence, NATO is the cornerstone of our defence, but where EU operations are the best way to get something done, we should not object to that. For instance, the operation off Somalia to rid the seas of pirates and to safeguard shipping was a British-led EU mission with NATO support. I think we shouldn't be too—

Q41 Crispin Blunt: Prime Minister, I would like to ask you a final question that goes to the core of the debate about what the EU is going to look like in 2040. There are two things I want to put to you. First, the direction of travel on defence and security is there for people to see, and Britain's position is actually serving to stop the development of an EU defence identity; it is serving to mean that 450 million Europeans are producing the defence output of about 25 million Americans. We should be assisting in creating that identity and that defence output.

More important is the direction of travel in 2040 of the eurozone countries. By 2040, their common interests are going to be so close and our interests so different that it is inevitable—even with the protection that you secured in the renegotiation, which is quite specific—that they will be caucusing about their interests. The direction of travel of the European Union will inevitably be away from the direction of travel of the United Kingdom while we are outside of the eurozone. As someone said to me, if you arrive late for dinner with your mates, you will find they have decided where you're going and the only thing you can do is to decide whether you join them or not. You will have no influence on the destination.

Chair: That was a very clear expression of view. I would be grateful for a very brief reply.

Mr Cameron: I will be brief. I think the key to this renegotiation is that it accepts that we are all not only going at different speeds but heading for different destinations. I think the eurozone countries probably will integrate further, but Britain will not be part of that. We have this special status and we can build on that special status. The crucial question for us—we need to back out and think of the national interest—is: is in our national interest to remain in the single market, with protections against the pound being discriminated against by the euro? My answer is yes.

As for if we leave, it is worth putting the other position. You may think, “Well, the eurozone is going to integrate. Let’s get out because we can’t maintain this special status.” The first thing that would happen is that we would be discriminated against. Because we are in there, with that special status, they cannot, for instance, dictate that euros have to be cleared only in eurozone countries. We know that we can maintain London as the great financial centre of Europe because we have got the protections.

Chair: That is a helpful reply.

Q42 Mr Jenkin: Prime Minister, can I start with a brief question on purdah, about which I have given you notice? You have my email to the Cabinet Secretary, and it is clear from a written answer to me on 14 April that it is the Government’s intention to keep all the pro-remain webpages run by the Government on the gov.uk website up and running during the 28-day purdah period. I am advised that that is against the law. I now have advice from the Speaker’s Counsel that it is “abundantly clear than an electronic communication of the contents of the website amounts to publication for the purposes of section 125 of the Political Parties, Elections and Referendums Act”. What is your response to that?

Mr Cameron: I think the Cabinet Secretary is going to respond to you later, but I wanted to hear very directly from you about your views. My approach to this is that obviously, we must abide by the law in every way. We are taking legal advice too, as you would expect. It seems to me that the right thing to do is to make sure that if there is a Government website, it is not refreshed or updated during the period of purdah, but I would just ask whether it is absolutely necessary to take something down. That seems to me a rather extreme position, but I want to understand your concerns about that.

Q43 Mr Jenkin: In the case of *Byrne v. Deane* in 1937, the court ruled that leaving a notice—

Mr Cameron: That was pre-internet, I think.

Q44 Mr Jenkin: It ruled that leaving a notice on a golf club noticeboard was an act of continued publication. In other, more recent, rulings, every time a server is hit by another request for a page, that constitutes re-publication of the material. So I think you will find that you cannot keep up that website.

Mr Cameron: Well, we’ll look at our legal advice and respond to your letter.

Q45 Mr Jenkin: If that doesn’t change, Prime Minister, expect a letter before action, and if we can raise the funds, expect a writ.

Mr Cameron: Right, well there we are. I’d better get back to the office fast then. I was hoping for a reasonable—taking down a website is a bit like saying you have to remove publications that people already have from the Government.

Q46 Mr Jenkin: That is correct. We will move on, Prime Minister.

On the Trade Union Bill, you said: “I think there is a very simple principle here. Giving money to a party should be an act of free will. Money should not be taken out of people’s pay packets without them being told about it properly.” Today, we have Len McCluskey quoted in *The Guardian* saying: “The European referendum came in to play here. I think the Tories recognised that they needed the support of the left in its broadest context within the UK to sustain the remain vote. That played a part in the thoughts and the considerations and the

discussions that have taken place” about the Trade Union Bill. How true is it that the referendum played a part in your thoughts and considerations in respect of the concessions given in the Trade Union Bill?

Mr Cameron: As far as I am concerned, those are separate issues. What happened with the Trade Union Bill—I am very proud that we are getting it through Parliament and delivering on our manifesto promises—was in the House of Lords with Lord Burns’ amendment—

Q47 Mr Jenkin: So Mr McCluskey is wrong, basically.

Mr Cameron: Let me explain.

Mr Jenkin: I am just asking whether Mr McCluskey is right or wrong.

Mr Cameron: I have not seen his remarks.

Q48 Mr Jenkin: I just read them to you. He said that you altered the passage of the Bill because of the considerations and discussions that had taken place and the need to sustain the support of the left in its broadest context in terms of the remain vote. That is what he said.

Mr Cameron: What I would say is that the two issues are separate. We had changed the Trade Union Bill because we lost in the House of Lords—not to a Labour amendment but to a Cross-Bencher amendment.

Q49 Mr Jenkin: But they thought they were going to get that through. They weren’t expecting you to put in this amendment.

Mr Cameron: Well, it was a pretty large majority we lost by. Today, we have been talking about—

Q50 Mr Jenkin: Are you saying there was no discussion with the trade unions before—

Mr Cameron: As far as I am concerned, they are separate issues. We have delivered—

Q51 Mr Jenkin: That is not the question I asked. Was there any discussion between the Government and the trade unions about money for the Labour Leave campaign in the discussions about the passage of the Trade Union Bill? That is a yes or a no, Prime Minister.

Mr Cameron: The Better Off In campaign have been talking with the trade unions, as you would expect, quite a lot.

Mr Jenkin: Right. So you will not answer. Can I move on to the constitutional issues?

Chair: Hang on. I think the Prime Minister’s answer is needed on that point.

Mr Cameron: The Better Off In campaign has been speaking with the trade unions for months and wanting them to full-heartedly support the campaign, which they do. That is happening, which I think is good for the Better Off In campaign. The Trade Union Bill is a separate issue, and I have explained that we are securing our manifesto commitments on opting in, on ballots and all the rest of it. I think it is going to be a success that we get that Bill through.

Q52 Mr Jenkin: You used to say that the UK needed “a complete opt-out from the charter of fundamental rights”. In February, you told the House of Commons, “People in our country had fundamental rights long before the EU charter of fundamental rights was even thought of, so we do not need these documents in force in Britain.” Why did that form no part of the renegotiation?

Mr Cameron: Well, it did. In the renegotiation we got a restatement of the reference that the charter of fundamental rights creates no new rights in British law, which I think is important. I think we can address this even further when we come on to the issue of the Bill of Rights, which we want to see enacted during this Parliament.

Q53 Mr Jenkin: But when we were in opposition and the Lisbon treaty was going through, we described the Lisbon treaty protocol excluding the UK and Poland from the charter of fundamental rights negotiated by the Blair Government as a fig leaf and worthless. The European Court of Justice has, in fact, since confirmed this. We have also had the Mostyn judgment, which makes it clear that the full panoply of rights—much broader than the rights set out in the European convention—applies through the European Court of Justice. How can anyone have confidence that the European Court of Justice will respect any supposedly legally binding agreements, even where written in the treaties, if they carry on like this?

Mr Cameron: That is one of the reasons why I wanted to address it in the renegotiation, and it does. I think it says “Recalling...that the Charter of Fundamental Rights has not extended the ability of the Court of Justice of the European Union or any court or tribunal in the United Kingdom to rule on the consistency of the law and practice of the United Kingdom with the fundamental rights that it reaffirms”.

Look, of course we oppose the Lisbon treaty. One of the reasons we are having this referendum is that it wasn’t possible to have a referendum on the Lisbon treaty even though the Lisbon treaty was the postscript, as it were, to the constitution that Tony Blair said: stand and deliver, it’s time to have a referendum. That is one of the reasons why we are having a referendum.

Q54 Mr Jenkin: Okay. Can I move on to the substance of this?

Chair: This will have to be a quick question and a quick final reply.

Mr Jenkin: The EU charter and national security. Last year, in the Schrems case, the ECJ stated that “legislation permitting the public authorities to have access on a generalised basis to the content of electronic communications” is incompatible with the EU charter on fundamental rights. That was the ruling. In response, the US Attorney General clearly saw this as hostile to transatlantic information sharing when she described it as “Particularly disappointing”. Which is more important for our national security: the Five Eyes agreement with our closest allies, who are all outside the EU, or the UK’s EU membership?

Mr Cameron: Well, the Five Eyes agreement is absolutely vital, but when I think of the other four eyes—I suppose there are eight altogether, if you think about it—they are very clear. They want Britain to stay in the European Union because they think Britain will be stronger, will be a more capable partner, able to get more things done, whether we are fighting Daesh or confronting Putin, dealing with climate change or tackling terrorism. They believe that Britain will be stronger, will be safer and will be an even stronger partner for them. They are fully aware of all these cases and all these issues. Schrems actually relates to commercial data

rather than national security. And again, in the renegotiation, national security is reaffirmed as something which is a national responsibility. I would listen to the Five Eyes partners about what they think is going to create a safer world for all of us.

Q55 Pete Wishart: Prime Minister, you will know that there is very little desire in Scotland for your EU referendum: only 16.5% of people in Scotland voted for candidates who supported an EU referendum. You will also have seen the opinion polls I have in front of me which show that the majority of Scottish people want to remain within the European Union and only a minority want to leave. Given that we didn't want this referendum and only a minority of Scots do want to leave the EU, what is your message to the people in Scotland if our nation is eventually forced out of the European Union against its collective national will?

Mr Cameron: Well first of all, I would challenge your statistics, because when we looked at opinion polls about whether or not people supported a referendum, actually there was remarkably little difference between Scotland, England, Wales and Northern Ireland. Now, you're quoting statistics saying the only way you can prove whether Scottish people want a referendum is if they support candidates supporting a referendum—so presumably that would be the Conservatives and UKIP. I think that is a very partial way, if I might say, Mr Wishart, of presenting the information. The opinion polls were pretty clear: the Scottish people wanted a referendum, and that is what we are having.

Q56 Pete Wishart: Well, I think I would like to see those opinion polls, because there has been—

Mr Cameron: I will happily send them to you.

Pete Wishart:—nothing to say there is anything other than a minority of Scottish people who wanted this EU referendum. You actually see that in the opinion polling just now, which is clearly stating overwhelmingly that Scots want to remain.

During the independence referendum it was repeatedly stated to the Scottish people that only being part of the UK would secure our EU membership. That claim now looks at best tenuous, given that opinion polls are showing we are on a knife edge about whether it will be won or not. Do you feel that the Scottish people were perhaps misled by some of this characterisation about the EU? Have we got every right, therefore, if we are pulled out against our will, to reconsider our membership of the United Kingdom?

Mr Cameron: I think there are two questions there. One is: were people somehow misled about what would happen to Scotland with respect to the EU had Scotland voted for independence? I think the truth is that Scotland would have had a very difficult time getting back into the European Union.

Pete Wishart: In your view.

Mr Cameron: No, not just in my view, but in the view of people like the Spanish Prime Minister who threatened a veto, and in the view of the then head of the Commission, José Manuel Barroso. Also, if Scotland had re-joined the EU in those circumstances, it would have had to join the single currency and the Schengen agreement, because it would not have had the special status that we as the United Kingdom have within the EU.

The second part of your question is: what about the future? My position is that this is a United Kingdom decision. We make it as one United Kingdom and we accept the result,

whatever it is, but—*[Interruption.]* Of course you will make your argument in your own way. I am trying to be helpful here.

Q57 Pete Wishart: We just have to lump it and get on with it?

Mr Cameron: No, no, I would argue to anyone in the United Kingdom who cares as passionately as I do about keeping the United Kingdom together that, again, the safe and sensible choice is to vote to stay in a reformed European Union.

Q58 Pete Wishart: And I'll be working with you to ensure that, but I think your message to the people of Scotland is that if we are taken out against our collective national will, we somehow just have to lump it and get on with it, and maybe even thank you for taking us to this point. What do you say to your colleagues, like the Home Secretary, who says that if there is a vote to leave the European Union, there probably would be another independence referendum in Scotland because such would be the case and the clamour for one? Is she wrong in that?

Mr Cameron: As I say, I think it is a United Kingdom decision, but you will make your arguments. Anyone who cares as much as I do about—

Q59 Pete Wishart: I'm interested in what you have to say to the Scottish people. What is your message to them if we are taken out?

Mr Cameron: Vote to stay in a reformed European Union on 23 June.

Q60 Pete Wishart: Yes, which we will do in vast numbers, but you have put us at risk. You could possibly be ending our relationship with the European Union. Surely you must have a message for the Scottish people.

Mr Cameron: Well, the message is that we are safer, stronger and better off in, but we are one United Kingdom and we take decisions about joining international organisations as one United Kingdom.

Q61 Pete Wishart: You and I are veterans of these referendums. Did you learn anything in particular from the independence referendum, particularly the part that was colourfully called "Project Fear"? Do you think these fanciful, exaggerated stories that we are witnessing once again with the EU referendum are part of these referendums? What impact do you think all these exaggerated scare stories are having on people who are still to make up their minds?

Mr Cameron: I don't accept that there are exaggerated stories.

Q62 Pete Wishart: You must be joking, Prime Minister!

Mr Cameron: No, honestly, I think there is an overwhelmingly—

Q63 Pete Wishart: Households would be £4,300 worse off and 100,000 jobs would be lost to the City—all that sort of stuff.

Mr Cameron: That's not my estimate. That is what the head of the stock exchange said to me. I asked him to confirm it several times because I was very concerned about the scale of the figure.

Q64 Pete Wishart: But when you started all these scaremongering stories in the Scottish independence referendum, you squandered a 20% lead. May I remind you that you have very little leeway to squander this time with nonsensical, fanciful scare stories?

Mr Cameron: I don't accept the premise of your question. My interventions in the Scottish referendum were overwhelmingly positive and about what we have achieved together as the United Kingdom and the fact that we punch above our weight in the world because we have worked together all these years. My argument in this referendum is that we will have a very bright and exciting future, not restrained by our membership of the European Union, but we will be a stronger, safer, better-off country, better able to punch above our weight on the world stage and get things done in the world because we are a member of this organisation, just as we get a lot out of being a member of NATO, the G7 or the G20. That is my argument, and it is a positive argument.

Are we right to warn people of the consequences if we were to leave—the economic consequences, jobs consequences, WTO tariff consequences? Yes, I think we are. I do not want to wake up on 24 June and have people say, “Well, Prime Minister, you didn't set out all the concerns and worries.” My message to people is that it's right to have this referendum. We should not be frightened of having a sovereign decision—after all, a lot of this is an argument about sovereignty. There is nothing more sovereign than saying, “The people will decide this.” With the experience I have—I have no other agenda, as I have said before; I'm not standing for office again—I am very clear in saying that I really profoundly believe that the better choice is to stay in a reformed European Union.

Q65 Pete Wishart: There is a good, positive case to be made about European Union membership. Why don't we hear more of that, instead of some of the scare stories in the “Project Fear: Euro Version” that we are getting?

Lastly, given the bruising experience this has been for your party and the real risks you have exposed this country to, do you wish you had never thought of this whole referendum business at all?

Mr Cameron: No. Look, I believe in democracy. In the end, I cannot hold the Scottish people in the United Kingdom without their permission. The Scottish people elected an SNP majority Parliament with a pledge for a referendum. I had a choice as Prime Minister. I could have said, “Not on my watch. I'm not going to take that risk” and tried to palm off the Parliament with a promise of a consultation or an “if” or a “maybe” or whatever. I didn't. I said, “Come on, then. Let's have a fair, legal and decisive referendum,” and that is what we did.

Likewise with Europe. There are divisions in our country about Europe. It has changed a lot since 1975; it is time to make that choice. We should not be frightened of sovereignty. We should not be frightened of this debate. It should be a vigorous debate and we should not be frightened of saying what the upsides and, yes, the downsides are. That is exactly what I will do, and I will be happy to abide by the result.

Chair: Keith Vaz has one quick question. He is not allowed to mention Leicester or football.

Mr Cameron: I bet he'll get it in anyway. *[Laughter.]*

Q66 Keith Vaz: I think I'll pass, then—no. Prime Minister, there are currently 4,217 foreign national offenders from EU countries in the United Kingdom, costing the taxpayer £169 million a year. Since we are a member of the EU, should we have done better in removing more of these EU nationals to their countries? If we leave, is it going to be more difficult or easier for us to do so?

Mr Cameron: Yes, we should have done better. I have six-monthly National Security Council meetings on foreign national offenders and foreign national prisoners to try to speed up their exit from the UK. It is fantastically difficult, even when you have signed prisoner transfer agreements. It ought to be easier in Europe, and at least in Europe we have this directive on foreign national prisoners; we now need to act faster under this directive. But my argument would be that if we were to leave, we would take several steps back and find it harder.

It has not been good enough and we need to go further, but at least we have a mechanism, through the EU, to do it. I would add that the European arrest warrant has enabled us to extradite 7,000 suspected EU criminals from the UK, so that is a pretty powerful weapon too.

Q67 Frank Field: Prime Minister, may I ask you some brief questions about what you have been saying today? When you have addressed the possibility that the country will vote to leave, you have said, “We will need to do so and so.” Does that royal “we” include you as Prime Minister?

Mr Cameron: Yes. It is quite important that this referendum is about Britain's future in Europe and is not about one team of politicians or another team of politicians, or one person's future or another person's future. I do not want anyone to cloud their decision making with what the choice is about: it is in a reformed Europe or out. I will accept the verdict and do everything I can to put it in place.

Q68 Frank Field: So you seriously think that if the vote goes against you, you can remain as Prime Minister?

Mr Cameron: Yes.

Q69 Frank Field: And if the country thinks otherwise, you will just ignore them. They will be voting against you, or your recommendation, the biggest thing this Government have put before us—

Mr Cameron: The point I'd make, Frank, is we had a general election a year ago and we achieved a majority in Parliament, and that is the mandate that I have. Part of that mandate was to hold an in/out referendum on the basis of a renegotiation. I would argue that we have achieved the overwhelming amount that was in our manifesto about the renegotiation, and we are holding that referendum. So I am being very correct about having a mandate I have to deliver on Europe, delivering that, having the referendum and abiding by the result. I think that is the right thing to do.

Q70 Frank Field: May I bring you back to those renegotiations, which have occurred but we have not heard much about in this whole campaign since you actually did the renegotiations? One of your commitments is to reduce immigration to the tens of thousands. You have managed, if Europe approves, two changes to strengthen your arm in achieving a fall in the numbers coming from eastern Europe. If Europe votes for your two changes, when do you think you will reach your tens of thousands objective?

Mr Cameron: First, there are more than two changes. In the general election—going back to the mandate—I said that I wanted us to say to people coming from the EU, “You can’t claim unemployment benefit when you come here; if you haven’t got a job after six months, you have to leave; if you do get work, you don’t get access to our welfare system for four years; and if you”—

Frank Field: Child benefit?

Mr Cameron: And child benefit. Of those, the first two are now in place; you won’t get full access to benefits for four years, but obviously it is phased; and you will get child benefit, but only at your local rate. Those are four changes that we have achieved, but it is also worth looking at the international agreement that we did achieve, because there is actually a lot in there about stopping sham marriages, stopping criminals and stopping people who are not able to support themselves. All those need to be taken into account.

Going back to the immigration ambition, it is worth remembering that when I made that commitment, at that stage net migration between Britain and the rest of the EU was relatively in balance. A lot of people were going to work and live in other parts of Europe and a lot of Europeans were coming here, but it was roughly balancing out. At that stage, the net migration coming into the UK was almost exclusively from outside the EU, which I believe we should do a lot to reduce. We have done some, but we need to do more.

I don’t believe that it is an unachievable ambition. I do accept that it is tough and challenging, but the combination of what we are doing in Europe, combined with the recovery of other European economies—we have been a jobs factory here in the UK—and tougher measures for outside Europe, which I know you and Nicholas Soames have done a lot to put on the agenda: if you do all of those things, it is a realistic ambition.

Q71 Frank Field: But when, Prime Minister?

Mr Cameron: I haven’t set a date on it but I want us to make progress towards it.

Q72 Frank Field: You are a long-standing supporter of Turkey becoming a full member of the European Union. Do you think their accession will actually speed you to your goal of tens of thousands, or will there be yet another increase?

Mr Cameron: I’ll be absolutely frank with you: I don’t think the accession of Turkey to the European Union is remotely on the cards; I don’t think it will happen for decades. The facts are that it requires unanimity of all European members. The French, for instance, have said that they would have a referendum on it. I would say very clearly to people, “If your vote in this referendum is being influenced by considerations about Turkish membership of the EU, don’t think about it. It is not remotely on the cards.” It is not an issue in this referendum and it shouldn’t be.

Q73 Frank Field: And you have told the Turkish Government that?

Mr Cameron: I said it in the House of Commons. I know that is one of the best ways to keep something a secret, but I said it in the House of Commons in one of my question and answer sessions on a European matter. I think I used exactly those words, “not remotely on the cards”. It is just a fact.

Q74 Nicola Blackwood: Prime Minister, you put science and innovation at the heart of your economic strategy. You kept funding static in real terms in the spending review when we had to cut other budgets and make difficult decisions, but part of that funding picture was that between 2007 and 2013, just under a fifth of the funds that the UK received from the EU were used to support science and research. That doesn't even take into account the value of collaborations for science and research, especially in areas like clinical trials. It is reasonable for researchers, innovators and investors to have an understanding of what the Government is planning in the case of Brexit. Your answer to Bill Cash was that associated country status within the EU was not possible. I wasn't really clear what your response was to Crispin Blunt, when he put to you the Foreign Affairs Committee's proposal for a new arrangement specific to Britain. Could you explain whether you have ruled out associated country status?

Mr Cameron: The point I was trying to make to Bill, which is a longer term point, is that some people have hankered after a much bigger role for Britain that would be outside the European Court of Justice and outside the rule-making powers of Europe, but somehow still in the EU. To me, that is just not possible. We can have our special status enhanced by my negotiation, and maybe there is more special status we can build in in future years—or we leave. That is the real choice. That was the point I was making to Bill.

The point I was making to Crispin—I must read his report in detail—is that to me the idea of coming out of the EU, pausing on your negotiations with your biggest trading partner, going off and trying to look for other deals, while WTO tariffs kick in against your trading status with Europe—

Nicola Blackwood: Thank you, Prime Minister—

Mr Cameron: I think that is a really, really bad idea.

Q75 Nicola Blackwood: You are just re-answering his question. That is not really going to assist researchers and innovators who are trying to understand what the picture would look like. There are a number of associated countries who do pay in in order to access EU funds. A good example would be Switzerland, with respect, Crispin—

Mr Cameron: Or Norway.

Nicola Blackwood: And what they have found is that when they had a referendum that restricted free movement, they were cut out from Horizon 2020 and the Government had to institute urgently a new programme to stop a detrimental effect on their science and innovation industry.

Mr Cameron: That's a very powerful point. When it comes to science and research, the case for staying in is very strong because we actually get more out of the EU budget for science and research than we put in. Our universities, including Oxford University, where a lot of our constituents work, and universities around the country, are fantastically successful. It almost sounds like a dictatorship figure, but 93% of science researchers agreed that EU membership is beneficial to UK science and engineering work. The status quo on science is good. We win a lot. It is money that is well spent and well targeted, and it benefits our economy.

You were asking a very important question, which was: if we were to come out and have, say, the Norway status, but maintain ourselves in the science programme, how would that work? We would inevitably lose influence, because we would not be round the table all the time. We

would not be in the crucial meetings. At the budget meetings, where we cut the budget of the EU but increased the percentage going into science, Norway was not there. They were not round the table; I was, and that was one of the things we were able to secure. When it comes to science and research, the argument is very clear, and that is why the universities are almost uniformly in favour.

Q76 Nicola Blackwood: But Prime Minister, my question actually was about whether you think it is necessary for us to maintain free movement of people in order to access EU funds. If you do not think that, how are you going to replace that €8.8 billion that has been going into our science and innovation sector over the past decade?

Mr Cameron: I am sorry, I am really trying to answer your question. If we stay in the single market—the single market consists of free movement of goods, services, capital and people. It is not free movement of terrorists, murderers, people who do not want to work or people who cannot support themselves. We can keep all those people out. It is free movement of people who want to work. That is what the single market involves, and the single market is hugely beneficial to Britain. It also involves us being involved in this science funding and research, which is very good for us. If we were out of it, but contributed to the science budget like Norway does, my argument is that that would not be a good outcome, because we would not have a say over how much is spent or where the money goes in the same way. It would be a bad outcome, and you would be at risk, as you say, in the way that Switzerland was when it tried to change its arrangements.

Q77 Nicola Blackwood: Has there been an—

Mr Cameron: Sorry. The other part of your question was about what we would do, if we came out, in terms of funding science.

Q78 Nicola Blackwood: Sorry, I was going to ask: has there been an impact assessment of the effect on our innovation sector in particular? The vice-chancellor of Cambridge raised with the Lords Science and Technology Committee that associate countries do not own the IP that they gather from the research they conduct in EU-funded projects. Even if we paid in to EU collaborations, it would be the member states that own the IP. We would not be able to exploit that research. Has there been any impact assessment of what would happen if we came out but became an associate country?

Mr Cameron: That is a very good point. I was not entirely aware of that. If that is true, that is rather serious, because it has implications for a Norway-style model, a Canada-style model or what have you. I have not examined that, so that is a powerful point. I will look into that. As I say, the arguments on science and research are very loaded towards the amended status quo.

Q79 Nicola Blackwood: Right, so the message to researchers is, “It would be better for them to stay in, and we are campaigning for that, but in terms of the Brexit plans, we do not quite know what they are, and we did not understand that they would not own their IP if we went in.”

Mr Cameron: A lot of these questions are for people who want to leave. I am setting out the case for why we should stay, and I think for science and research and universities, it is a very good thing. Of course, if we vote to leave, as Prime Minister I will want to ensure that we continue to support science. We would be doing so in a situation where, if our economy took

the hit that the forecasts suggest, we could be £36 billion down on our tax receipts and so have less money to put into research, agriculture or anything else.

Q80 Nicola Blackwood: Prime Minister, if I may interrupt you for one moment, the fact is that when Switzerland voted to restrict freedom of movement, they were instantly suspended from access to Horizon 2020, and we could have exactly the same experience. I gently propose to the Government that it might be a good idea to have contingency plans in place in case such a thing happened, given that we have just seen Leicester City win the premier league and a terrorist organisation—

Mr Cameron: It is a very fair point. I do not think the Swiss model is a good one to follow, for exactly the reasons that you give. I think if you listen to the Leave campaign, it started off thinking about Switzerland and Norway. It is now moving away from that and towards something else, but that something else would almost automatically mean not being involved in the Horizon science programme, and that is the thing for researchers, scientists and universities to focus on.

Q81 Chair: Prime Minister, I took a look at the migration and in-work benefits part of the deal. I also took a look at a speech you made discussing this 18 months ago, in which you said in effect—I am only paraphrasing, slightly—that what we don't need is some arcane mechanism within the EU, which would probably be triggered by the European Commission and not by us. When I looked at the deal that has actually been struck—this is section D 2(b), for those who want to follow these things closely, or maybe you want to follow them closely—I am, I think, looking at exactly that, a rather arcane deal that is triggered, in fact, not just by the Commission but by the Council, and it even requires the support of the European Parliament. Isn't that correct?

Mr Cameron: The point is this: yes, it is quite an arcane mechanism, but the key thing in negotiating—or two key things—was, one, to make sure that Britain qualified instantly and, second, that it lasted for the longest possible time. That is what I achieved in the negotiation—it is that the Commission and the Council have confirmed that Britain qualifies for this mechanism, and it is the phasing in of welfare benefits over four years, and the mechanism lasts for seven years.

So, if we think about it, if this mechanism, say, came in at the end of 2017 or sometime in 2017, it would still be in operation in 2024. So someone coming from another EU country to Britain in 2024 would not be in full receipt of benefits until 2028. I think that actually is quite an achievement in negotiating terms, to have agreed the reduction in benefits of other EU citizens for a period starting in 2017, all the way to 2028. That is, I think, a pretty powerful mechanism.

Frank Field: Will it be down to tens of thousands?

Q82 Chair: Order. I might come back to you in a moment, Frank, if I've got a moment.

But you are agreeing that this is an arcane mechanism.

Mr Cameron: Well, what I was worried about—*[Interruption.]* I remember it was a speech at JCB; I remember the speech exactly.

Chair: I haven't asked the question yet, Prime Minister. You are agreeing—aren't you, Prime Minister?—that it does require the agreement of the Commission.

Mr Cameron: Yes, but they've already given it. That's the point.

Q83 Chair: You are agreeing that it also requires agreement of the Council.

Mr Cameron: But that's already been granted.

Q84 Chair: And you are agreeing that it also requires the agreement of the European Parliament, because this deal will be done on the basis of a regulation, and regulations will require their agreement. This is an amendment to an existing regulation. Is this not correct?

Mr Cameron: In annex VI of the legally binding document that we negotiated, it says this: "The European Commission considers that the kind of information provided to it by the United Kingdom, in particular as it has not made full use of the transitional periods on free movement of workers...shows the type of exceptional situation that the proposed safeguard mechanism is intended to cover exists in the United Kingdom today. Accordingly, the United Kingdom would be justified in triggering the mechanism in the full expectation of obtaining approval." Now, that was agreed not just by the Commission; it was agreed by the Council of Ministers. So I think what that means is you've got coming into force—if we vote to stay in—a mechanism that will last from 2017 all the way out, effectively, to 2028. How many Government policies can you say that about?

Q85 Chair: I took a good look at annex VI, but of course annex VI applies to conditions today, not on some other day, and those conditions may change in the future.

Mr Cameron: Well, they're not going to change by 23 June.

Q86 Chair: That isn't the date that's relevant. The date that will be relevant—

Mr Cameron: As soon as the referendum is over, if we vote to stay in, this then needs to be put in place, and the sooner this mechanism can be put in place the better, as far as I'm concerned, and then it operates all the way from 2017 to 2028. Look—

Q87 Chair: Prime Minister, that brings me to my second point, which you've not answered at all so far, which is that this does require the agreement of the European Parliament, and the European Parliament may decide to prevaricate, delay, do what they want with this.

Mr Cameron: First, I was so concerned about this that I made sure the President of the Parliament was in these negotiations, and the President of the Parliament has said, "I can give you a guarantee that the European Parliament will...immediately after the referendum to stay in...legislate on the proposal of the Commission... The European Parliament doesn't have a veto, I completely refuse this rhetoric." That is what Martin Schulz, who is on the opposite side of the political divide from me and he was in these discussions—

Q88 Chair: Has he got all these European parliamentarians in his pocket?

Sir William Cash: Is it a dictatorship?

Chair: Order. Order, Bill.

Mr Cameron: I met the head of the EPP; I met the head of the ECR; and I met the head of the Labour Group, Mr Patella. The point was that all of them have accepted the outcome of this negotiation, and I think we should go ahead and vote on 23 June in the confident

expectation that this will be put in place. That's why the mechanism plus the decision was so important to get this negotiation right. I think you can see that.

Chair: I am going to bring in Meg Hillier, who has got another quick question. I also have a rejoinder, but I will come back to it after Meg.

Q89 Meg Hillier: Prime Minister, in answer to my first question you said that something needed to be done about the disallowances going back to Brussels. This is British taxpayers' money coming to us and being sent back because of poor departmental management. Can you be a bit more precise about what should be done, and will you promise that you will personally keep an eye on this so that farmers and others do not lose that cash?

Mr Cameron: We have cut penalties on agricultural funds by two thirds since 2005, so it has come down from £140 million to about £50 million. We are investing a lot of money into the land mapping systems—this is particularly in terms of agricultural payments where it has been a problem. We are confident that we can get that money down. The UK's good practice in procurement has been recognised by the Court of Auditors, so I think we are making progress.

Q90 Meg Hillier: Sorry, but there is a difference between our good practice in procurement and this money that is going back because of complete incompetence. If Lithuania has a disallowance rate of only 90p in £100 and we have £2.30, there is a big problem, isn't there?

Mr Cameron: I think that we had a problem with the Rural Payments Agency, particularly as it was set up in 2005, and it has taken a long time to get over that. As I said to you earlier, I accept the argument that we needed to do better, but there is a case for having some sort of mechanism to make sure European countries spend the money that they get effectively. I have sat round the European Council table, and a lot of the time the capacity of states to spend money effectively is a massive problem, not generally for—

Q91 Meg Hillier: We are performing poorly. We are hoping to get most of your focus, because farmers and others around the country—particularly farmers, on this one—are very concerned.

Mr Cameron: I am very focused on this; I have got a lot of farmers in my constituency, and they come to my surgery.

Q92 Meg Hillier: Maybe your focus is not yet achieving the action.

Mr Cameron: I will make sure it does. I just want to make the general point that when it comes to getting the most out of money—whether it is European investment funds into infrastructure, or whether it is money that is available for innovation, research and the rest of it—actually Britain has a very good record.

Q93 Chair: Prime Minister, I want to come back to something that I put to you privately many months ago—in fact, about a year ago—part of which I then published as a proposal to reverse this inexorable EU ratchet of ever greater regulation. You were not initially very interested in this proposal, but you became a bit more interested eventually. Certainly, some inkling of it has appeared in the agreement in annex IV, which is quite an important step. It means that we might be able to roll back the inexorable growth of what's known as the *acquis communautaire*—the body of rules at an EU level. But there is a problem with it, a fundamental problem it seems to me, which is that the proposal that you have negotiated is to be run by the Commission, which is

scarcely independent. The Commission will itself be setting an exam question, which it is bound to pass, it seems to me.

Others have commented on this. I would just like to read to you what Mark Carney, the Governor of the Bank of England, said about this publicly. He said: “To ensure its effectiveness,” this “mechanism should be a completely independent check on the legislative process and separate from the institutions involved in that process.” That is a central flaw to this otherwise quite attractive proposal, isn’t it, Prime Minister?

Mr Cameron: I remember our conversations about it. I can see merit in having a separate body trying to do this, but in my experience, if you want a bureaucracy to deregulate, you have got to make the bureaucracy deregulate, rather than create someone else to do its job for it. Our domestic experience is that when you set Departments targets and say, “You can only introduce one regulation if you scrap another one”—now it is two more—that actually changes the culture in Whitehall and changes the amount of regulation. That is what we need to do with the European Commission. That is the aim of annex IV in this legally binding document.

Q94 Chair: Did you press for independence?

Mr Cameron: I discussed it with them, but I felt this was a better answer. My sense is that this is a very different Commission to previous Commissions. When you look at people like Andrus Ansip, who was Prime Minister of Estonia, and Jyrki Katainen, who was Prime Minister of Finland, they have got strong pro-business, deregulatory, Atlanticist free traders actually, and our very own Jonathan Hill, in the European Commission. As a result, you can see an 80% decline in the number of proposals coming forward. This does make a difference, but it needs more work.

Q95 Chair: But would you agree that unless we address this fundamental problem at the heart of the EU, we are going to continue to have discontent even if the Remains do win, and that therefore it is absolutely crucial to our relationship with this institution in the long term?

Mr Cameron: I totally agree with that; I do agree with that. We have to demonstrate that the European common rules to deliver the single market are proportionate, that they are not unnecessary, that they don’t go into the nooks and crannies of life, that they don’t take unnecessary powers, and all the rest of it. I completely agree. I think that is the challenge: we want the benefits of the single market and we have to explain that that does mean some common rules, but on too many occasions Europe has regulated in areas that are unnecessary. I want a reverse ratchet, and this starts to create a reverse ratchet, because you have got targets for deregulation, for cutting regulation and the rest of it.

Q96 Chair: You have been answering questions for almost exactly 90 minutes now, and I know you have got to go. I think you have made a good fist of answering quite a number of questions with respect to the renegotiation, or at least many aspects of it. I think it would be helpful now if, in conclusion, you were given an opportunity to explain why, in a nutshell, you think we should remain in the EU, given a number of the reservations you have been hearing this afternoon.

Mr Cameron: I think it is a huge choice for a country. It’s not like a general election. This is a choice for a generation—potentially for a lifetime. I don’t sit here for a moment and say the European Union is perfect. It’s an organisation that needs reform. I think my changes have

created some very worthwhile reforms, and I would say that, on that basis—of hard-headed calculation of what is best for our country, whether it is being stronger economically, whether it is being able to get things done in the world, whether it is keeping us safe against terrorists—I have got no hesitation as Prime Minister, having done this job for six years, in saying that we are better off voting to remain in.

If we do that, the reform doesn't end. We need to go on reforming this organisation. But I don't say simply, "Let's just calculate the economics and the safety and the security." I would also say there is a big argument about Britain. If we want, as I want, a big, bold Britain—getting out there and helping to tackle climate change or Ebola in Africa, or standing up to Russia, or making sure Iran doesn't get a nuclear weapon, or fighting with our allies to confront terrorism—being in the European Union doesn't restrain or restrict our power to get things done; it increases it. So I think there is a very strong and patriotic case to be made to stay in this institution, which is imperfect; but in my view, just because a relationship isn't perfect, just because an institution isn't perfect, you don't walk away from it. You fight within it for what you want for your people, for your country. And that is what I think we should do.

Q97 Chair: And what is your answer to Michael Gove's crucial point, I think—the most powerful point he makes—that, slowly, our sense of identity is being eroded by our continued membership, that it is weakening our sense of identity, and that our self-respect as a country demands that we—

Mr Cameron: I just don't accept—

Chair: —that we retake, that we recapture, as he sometimes puts it, self-government?

Mr Cameron: I don't feel any less British for being in the European Union. We are a different country; we are special. We don't believe in having some ever closer political union. We don't want a European army. We don't even want to join the single currency. We are Britain: we are proud; we are independent; we are strong; we can be bloody-minded; we get things done. We are an amazing country, but we don't give up our national identity by being part of this organisation, just as we don't give up our national identity by being part of NATO, or the G7 or the Commonwealth. You know, we are the most connected, most effective nation, I would argue, in the world, and we shouldn't walk away from institutions that help us win in the world. So I think there is a big, bold British case to make. It's a positive case, and I'm going to use a lot of the next 50 days to make it.

Chair: We are very grateful to you for giving evidence to us this afternoon. Thank you very much for hanging on a few minutes longer—I know you have an important engagement to get to.

Mr Cameron: A pleasure.

Chair: Not everybody around this table will have agreed with what you have said today, but I think you have been pretty clear and there have been some direct answers to the questions.

Mr Cameron: Thank you very much. And where there haven't been, I will write to people with even better answers.