

# HOUSE OF COMMONS

## Exiting the European Union Committee

### Oral evidence: The progress of the UK's negotiations on EU withdrawal, HC 372

Monday 3 September 2018, Brussels

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Members present: Hilary Benn (Chair); Sir Christopher Chope; Stephen Crabb; Richard Graham; Peter Grant; Andrea Jenkyns; Stephen Kinnock; Jeremy Lefroy; Mr Pat McFadden; Seema Malhotra; Mr Jacob Rees-Mogg; Emma Reynolds; Stephen Timms; Mr John Whittingdale.

Questions 2537 - 2563

#### Witnesses

[I](#): Michel Barnier, Chief Negotiator, European Commission, and Sabine Weyand, Deputy Chief Negotiator, European Commission.

#### Examination of witnesses

Witnesses: Michel Barnier and Sabine Weyand.

**Michel Barnier:** Welcome once again. You are always welcome.

Q2537 **Chair:** Michel, can I reciprocate on behalf of the Committee? It is very good to see you again. Can I begin by apologising that we had to let you down on the previous date when we were due to meet? We had certain important votes in Parliament that necessitated our attendance.

Secondly, can I thank you very much for honouring the commitment you made to us the first time we met, that you would give evidence to the Committee on the record? Because as you are aware, today's session is being recorded and will be published as an evidence session, so it is a slightly different format from our previous discussions. I understand entirely that you will want to check the English translation of what you said before the minutes are published and we realise that will take—

**Michel Barnier:** Just to check that nothing is lost in translation.

**Chair:** Absolutely, that nothing is lost in translation. Unfortunately, it will not necessarily mean that we can change our English when it comes to the minutes being checked. As a result, in the hour and a half we have, there are lots of questions that the Committee would like to put to you, so answers should

be as succinct as possible, because there is indeed much to discuss, as much has happened since we last met.

If I might begin with a first quick question: if there is not an agreement by the October Council, is it your expectation that there would then be a special Council, say in November, to try to reach agreement, as opposed to letting it run on to the scheduled Council in December?

**Michel Barnier:** Chairman, if I may, I will take some time at the beginning of this meeting to say a few words prepared with my team about the current state of play with the negotiation. I think it could be useful if we have the time. We had planned to spend one and a half hours, so I will have time to listen to you and to answer short answers and precise answers. Perhaps I can switch to French.

**(Continued in translation)** Let me start by saying again that you are always welcome here. There is no problem on my part in agreeing that these sessions be public and discussions be public because it is the right time to step up the public debate on all sides. Moreover, that is what I am doing in all the Union's capitals. Every week I am visiting—last week, Berlin and Croatia—to meet in particular with national Parliaments, so what holds for the Union holds for the UK too.

Dominic Raab said last week that the objective remains to reach an agreement on the package under discussion, the Withdrawal Agreement, and the political declaration at the European Council in October. I can imagine that we might need a few extra days. I have always said—and I repeat it to you—that give or take a day or a week, the essential thing to do is to get a good result, even if it takes a few days longer. Given that, and you know what the constraint is, we have to leave enough time to have all this ratified in the British Parliament and the European Parliament and the Council.

If I may, having covered that item on the agenda, be frank with you as to where negotiations stand at present, and I hope this will be useful. Since we last met your Committee, we have done a lot of work with the British and made a lot of progress on the draft agreement. Today, more than 80% of the content of that draft agreement—which you will be familiar with, as it is a public document—has now been put in green. It is not just a question of the colour; it is the content.

But a lot of work still has to be done against a timetable, which I have shown you, which is very tight. We are now seven months away from a time when your country will leave the European Union, so in reality, it just leaves us a few weeks between now and October, the start of November, to conclude. These will be the most difficult weeks because we are now at the crucial phase of what I hope will be the run-up to the conclusion of the negotiations. I do not think we need much more time, but we do need to take decisions. Our objective in the coming weeks remains clear—to finalise the Withdrawal Agreement, 100% of the text by then would be in green—and to reach an agreement on the content and the terms of our future partnership in a political declaration.

If it is useful, let me reiterate that the 27 member states of the Union and the Parliament remain united during this period, as indeed is the entire support for my mandate in the guidelines to the European Council and the resolutions from

the European Parliament. As you will have seen, I am very much wedded to maintaining that unity and maintaining constant contact with all the member states, because I am negotiating on their behalf.

Our position has not changed. You have decided to leave the European Union, not the other way around. We are open; that is our position. We want to establish the closest relationship possible with your country—and I will be saying this in greater detail later—and what will be an unprecedented relationship. We are determined to find an agreement, but I am aware of the risks that lie before us on our road between here and March, and we also are aware of our responsibilities on both sides. That is why I believe we need to be prepared for all scenarios, for all eventualities.

As I say, more than 80% of the Withdrawal Agreement has now been agreed on some major subjects, including for yourselves—on both sides—security of citizens' rights, the financial settlement, the transition period up until the end of 2020, which at the request of the UK would be a situation of economic and social status quo, and other important points. Together with the British delegation and the new Minister, Dominic Raab, we have taken stock, meeting four times in the course of August, and we have made progress—I stand always to be corrected by Sabine Weyand, who is Deputy Chief Negotiator and part of my team—on specific and important issues, such as protection of data, where we are not far from agreement, and judicial and police co-operation in the criminal area. There are still some important points of disagreement regarding an orderly withdrawal: geographic indications for one, governance for another, and the point I would now like to come back to, Ireland.

I am very concerned about Ireland. We need to find a solution that avoids the return of a hard border and that remains today the main obstacle on our road to an agreement between the British and ourselves. In the light of your Government's decision to leave both the single market and the customs union, it is obvious that we need to find ways and means to set in place a number of checks on goods entering Ireland. Without any checks, that would be a breach in the single market and customs union. Without checks, we cannot guarantee the safety of goods entering into the European Union and circulating in it, and vice versa obviously for the British market, as far as you are concerned, because the external border of your market would be there now.

In the joint report of December and then in a letter from Theresa May in March, the British Government committed itself to respecting the integrity of the single market and the customs union and the place occupied therein by Ireland. On the ground, ladies and gentlemen, it is impossible—this is nothing new—to distinguish between customs checks and other regulatory checks. The two kinds of checks are intrinsically linked in the technical physical organisation of what happens when things are checked on that border for the single market. That is why the British solutions mooted, such as a temporary customs arrangement, which suggests such a distinction between customs checks and regulatory checks, would turn out to be impossible, technically speaking, for us to implement.

Quite apart from the protocol, as proposed in the Withdrawal Agreement, which we published for the first time in February, I observe that apart from that, until now the British Government has not presented any proposal that

would work in practice and be operational to carry out these checks, but it is a very important point and I say this in full awareness of my responsibilities. I am convinced that it is possible to carry out the kind of checks we need without creating a physical frontier within your country and in respect of the constitutional order of the United Kingdom. We are talking about checks on goods, after all. Many of these checks are already carried out today between Northern Ireland and Great Britain.

Of course we have been following very closely the debates in the House of Commons on this subject, and in particular the customs aspects, and we will pay close attention to any operational proposal that would enable your country, once it leaves the EU, to respect the dual commitment formally entered by your Government, that is to leave both the customs unions and the single market, while avoiding a hard border in Ireland and respecting in all its dimensions the Good Friday Agreement, which is why I repeat: any proposal from you is welcome, but we are under great pressure of time.

The Withdrawal Agreement has to have an operational backstop in it, which holds water legally. Ladies and gentlemen, it is not necessarily our backstop, as covered in this document. We are open to discussing other backstops, so we can discuss this text, we can make changes to it. We are open, but whatever happens, there has to be a backstop. We need that. It has to be an operational backstop in legal terms. Brexit without a backstop would create a problem for Northern Ireland, and the inhabitants of the island of Ireland we think are entitled to some certainty regarding the conditions for future co-operation between the two countries.

I also think that this will require an effort on both sides, that we should be able to de-dramatise this backstop by describing what it will mean on the ground, having a kind of set of checks that are technical and operational and that would be applied unless and until there is an agreement on the future relationship that would finally settle all these issues, at least partially. So we are open to that prospect. We are ready to simplify these checks, to have them carried out at a number of different places and have checks, thanks to technical means, which could take different forms. But that effort to de-dramatise the situation should be made by both sides, which is why I say Ireland remains the crucial issue if we are to get an agreement, but if there is no operational backstop on Ireland, there will not be an agreement.

Finally, ladies and gentlemen, the point that always struck me as the most important and interesting point beyond the divorce that your country is seeking and the orderly separation that we wish to organise, is of course the whole question of a future relationship, the future partnership that we need on both sides between the EU and the United Kingdom in the long term. The Withdrawal Agreement is the only way to ensure an orderly withdrawal of the UK. With that, first, we will have legal certainty, and secondly, confidence on both sides. We need that in then looking ahead to the future. That is what we seek and that is why we want this negotiation to be successful.

Let me repeat also that the no-deal scenario is not our scenario; it is not my scenario. Let me remind you that the line taken by the European Council—that is my mandate—foresees an ambitious partnership, which will include an ambitious and balanced free trade agreement, very wide in scope; secondly, co-operation in specific sectors, some areas of shared interest, such

as aviation, research and universities, just to give you some examples; thirdly, judicial and police co-operation in criminal matters; fourthly, a strategic partnership in the area of security, defence and foreign policy.

It is on that basis—this is my mandate—that there is a strong position taken by the European Council that we have taken an objective look at the content of the White Paper published on 12 July by Theresa May and the British Government. We have examined that White Paper in the light of the line taken by the European Council, in the light of resolutions built by the European Parliament to identify common ground, those areas where we can possibly co-operate, and on that basis one would start to draft the political declaration between the UK and the EU regarding a future relationship.

This exercise has enabled us to identify some important points of convergence, in particular in the area of internal and external security between the White Paper and the European Council's guidelines, and convergence in the area of the UK's participation in a number of European co-operation programmes, and convergence finally in the area of our future economic relationship, where the White Paper and the Council guidelines both talk about there being a free trade agreement between us.

However, as regards other points made in the White Paper in economic terms, I have to remind you of what my mandate is, as defined by the 27 heads of state and Government. A third country, in the past and in the future, cannot be in an identical or as stable a situation as an EU member state; secondly, a balance between rights and obligations in our relationship; thirdly, the integrity of the single market and the indivisibility of the four freedoms of movement; fifthly, the autonomy of the EU's decision-making process.

In the light of those principles beyond the free trade agreement, the proposals made in the White Paper on two points are not acceptable as they are; they are not acceptable to the EU. That is the White Paper proposal on customs and the White Paper proposal on the common rulebook for goods. There are four reasons why we cannot accept those proposals on these two points in the White Paper. First of all, there is a legal problem. It is not possible for the Union to delegate to a third country protection of its customs union or the control of its external borders or the management of a collection of its customs revenue. Secondly, these proposals in the White Paper would create, as we see it, extra cost and bureaucracy. It is not possible for EU business to bear the cost that would be generated by the goods traceability system that is envisaged to enable the application of a dual customs tariff.

Thirdly, these two points in the White Paper would create an economic problem for the Union. They might create deflection in trade by the UK applying a more advantageous customs tariff and it could also lead to major distortion in competition to the detriment of EU business if UK businesses were able to not have to respect the same rules that we respect in terms of the factors of production, our social standards for labour and environmental standards regarding production methods.

Finally, our objective analysis of these two proposals leads us to believe that they would call into question the very integrity of our single market. Before I conclude—and I have nearly finished, Hilary—let me just say that our attachment to the single market, which we built together with some passion

over the last 40 years together with you, is not dogma. We know it is our major trump card in the modern world. This single market, as we have constructed it together with you—and you are quite aware of this, because you have participated in this construction with a certain degree of influence, let me say, and I was the Commissioner for the Single Market, and I know this—is not just a free trade area; it is an integrated ecosystem, which since 1993 has been based on common rules, standards, certification and supervision, in particular in the area of financial markets, common regulations, and above all of this, common jurisdiction. That is what we have constructed together and that cannot be unravelled or made more fragile in one way or another. That is totally out of the question. This ecosystem, which is our strongest point, must not have its integrity threatened.

Now, this may be something of a reference for some of us. Let me remind you of Margaret Thatcher's Bruges speech in 1988, where she said, "The aim of a Europe open to enterprise is the moving force behind the creation of the single European market in 1992. By getting rid of barriers, by making it possible for companies to operate on a European scale, we can best compete with the United States, Japan and other new economic powers emerging in Asia and elsewhere". That is what Margaret Thatcher said, and it remains true to this day, or more so in the current geopolitical and geo-economic context, which is very unstable, which we are living through at present in our relations with the United States and other areas of the world. This common market, the single market now is a reality and it works for the benefit of all European businesses and citizens and is the very basis of our common trade policy. Again, it is in our fundamental interest to protect this.

This is not a question of dogma, unlike what some people say. What we are defending is the economic interests of our businesses and citizens. I say this to you today—I have said this with the same conviction and I have been saying this consistently ever since the first day I was given the task of leading these negotiations and last week even again in Berlin—on these two subjects in the White Paper there is a serious reservation here, but we are ready to talk together with the United Kingdom and to build an ambitious relationship. If you put together all the chapters that you have before you, the four columns, as you can see, if we can do all of that, then we will have built an unprecedented partnership, more than with any other third country.

I have spoken at some length and I have been very exhaustive, but I wanted to speak frankly. It is a public session, after all, and I have set it all out in detail, so I am well understood. I am available to answer questions.

Q2538 **Chair:** Michel, thank you very much indeed. You have anticipated some of the questions we want to ask. I think every member of the Committee wanted to put something and our time is obviously now constrained.

My first question: just to confirm what you have said to us, in effect the facilitated customs arrangement proposed in the Chequers White Paper is dead in the water, because you have said it is not acceptable for the four reasons you have set out. Can I just check that that is correct from your point of view: it is not going to work; it is not going to fly?

**Michel Barnier (Translation):** First of all, let me say once again, unlike what I have seen and heard over recent days, following a rather too brief reading of my interview to *Frankfurter Allgemeine Zeitung*, basically in the White Paper

there are lots of positive things, lots of useful things, just to make that absolutely clear. I did not just reject the White Paper outright; that is just not true. I hope that you will understand that.

Secondly, we have two major problems, two issues that we cannot accept. Our customs union, our customs system, as it works, is a fully integrated system that cannot be undermined and we cannot split up the four freedoms of the single market. We are prepared to discuss a customs agreement of some sort that simplifies customs arrangements between the United Kingdom and the EU. Customs co-operation could even be part of a free trade agreement, if it went that far, but we do have a problem with the way in which our customs controls and checks work at the moment. There is a clear link between customs controls and regulatory controls and that is not covered in your White Paper. Your proposal does not seem workable to us, basically.

Q2539 **Chair:** I was just trying to clarify that. I was not, as I am sure you are aware, suggesting for a moment that you had rejected everything that was in the White Paper. I was focusing very specifically on the facilitated customs arrangement and the common rulebook that goes alongside it, because it has been the centrepiece, as you will know, of what the Government has put forward. Given that the Prime Minister has made it equally clear that Chequers is the UK's proposal, anyone looking at that would say, "We have a bit of a problem here," because the Government on the one hand is saying, "That is what we are willing to agree to and nothing else," and you are saying, "It is not acceptable," so that is going to be an interesting negotiation.

The second question I just wanted to put to you, because I want to bring colleagues in, is that you said in your remarks, "Our position has not changed". There are those in the United Kingdom, Michel, I am sure you will be aware, who say that the European Union has shown—if I may put it sharply—really no flexibility and no willingness to compromise in the course of the negotiations. Presumably you would not accept that, but could you tell me what you would say to them to counteract that argument? Because it is, I am sure you are aware, increasingly heard in discussions in the United Kingdom.

**Michel Barnier (Translation):** I will be very calm. I am a very calm person, and as you know full well, I very much regret the decision your country has taken to leave the European Union. That is my personal position. I do not see the added value of a Brexit. Thus far, nobody has shown the added value of Brexit to me, but that is basically what it boils down to. You have chosen to leave the European Union, you have chosen to leave the customs union and the single market. It is you. It is not us; it is you. We are not leaving the UK. You are leaving the EU and we very much regret that.

In choosing to leave the European Union, how could we accept conditions that would run counter to our economic interests, which are based on the single market, which we built together with you? Why would we agree to weakening that single market today? I do not know whether the issues we are talking about are the key issues in the White Paper. There are others as well. The free trade agreement, for example, is something that we could discuss and work on and then on military co-operation as well. Again, that is something that we can work on and support, but you talked about the two key proposals there in the White Paper. When it comes to those two proposals, there is a real problem of substance for us, because they would weaken and would lead to the unravelling of the single market. That is why they are not acceptable, so you

cannot ask us to make concessions on the very foundations of the European Union.

Otherwise we are prepared to discuss and find the best possible agreements and compromises on those issues where we can co-operate with you when you become a third country, but some of your proposals undermine the strength of the European Union. My mandate is to defend the foundations of the European Union. That mandate comes from the Council and the Parliament.

Q2540 **Chair:** Very quickly, if the UK were to say, "Okay, what if we say we wish to remain in a customs union"—so, in other words, to change the policy; we discussed this before—that is something that you would be prepared to consider, is that correct?

**Michel Barnier:** My answer is yes.

**Chair:** Very good. John Whittingdale.

Q2541 **Mr John Whittingdale:** Mr Barnier, thank you again for giving up so much of your time.

Previously when we have met you, you have shown us the famous slide with the steps of each of the current agreements with member states outside the EU and you suggested we had to adopt one of those arrangements, as you have repeated today. Now you are talking about an unprecedented agreement. The slide that you have put up there I find fascinating and encouraging. The Chequers proposal you have said is flawed, and as somebody who supported leaving the European Union I can say that we also regard it as flawed. What we would like to see is an agreement that looks much more like that one than the one that the Government is currently putting forward. Do you think that there is a good chance that we could reach what David Davis called "Canada-plus-plus-plus", which might look something like that? If we could get on to negotiating to reach that kind of agreement, then we might be able to attain it within the timescale necessary.

**Michel Barnier (Translation):** In this structure, the structure of our future partnership, which I will be prepared to start working on as soon as your country leaves the European Union, so official negotiations, we can start discussing issues with the British Government as of now in order to prepare the political declaration, of course. Now, in that future structure there are four pillars and three toolboxes. You have the economic and the trade policy. If you respect the British red lines and if you respect European Union principles, then that would give rise to an ambitious free trade agreement, including customs co-operation.

Then you have another pillar, where you could add the participation of the UK in different EU policies—health, research, Erasmus and of course aviation—because you will be leaving more than 700 international agreements and that means that we need to re-establish our relations. Then you have internal security. A lot of progress has been made with the British delegation and likewise with external co-operation. If you add up all those different elements, that would constitute an unprecedented partnership overall. No third country closer or further away has such a partnership with the European Union.

We could go into the detail, if you like, when it comes to economic and trade policy, the first pillar. That is something that we are discussing at the moment and there is this disagreement, in the White Paper there is reference



to a free trade agreement. There in the White Paper, you seem to be suggesting a kind of à la carte single market, a kind of cherry-picking approach, and we do not agree. We cannot agree to that, but other than that, the other elements are something that we can work on. We could work on those to work towards an unprecedented partnership.

Q2542 **Stephen Kinnock (Translation):** Thank you, Mr Barnier. I wanted to ask you the following question. There is a big divide between the United Kingdom and the European Union, quite a big divide if you look at the Chequers proposal and the proposal that you have described today. Do you see a risk here, if our Prime Minister is to manage to get a majority in Parliament, that we might end up with an agreement that lacks clarity, a kind of vague agreement in order to get as many people on board as possible? At what stage will you and member states be saying that the political statement needs to be detailed, it needs to be as detailed as possible, and what does that mean in practice? We do not have much time left. As I see it, there are quite a few parts of this table where negotiations have not yet started. Do you think that it is going to be possible to get a detailed political declaration, a declaration that is detailed enough to allow us to take an informed decision in the autumn?

**Michel Barnier (Translation):** First of all, we have not started negotiations on the future relationship. In order to start those negotiations, you have to be a third country in legal terms, so we started our discussions on the basis of the European Council's guidelines, which are very specific, and on the basis of the White Paper, which is useful. A lot of elements in the White Paper are useful, as I have said several times, in order to find common ground. Sabine will correct me if I am wrong—she is running these discussions with the technical groups—but I think we have gone through all the subjects there, all of them.

We have not left anything out and that is why I am here, you are here today, and that is why I am saying today that there is a lot of convergence on many points, including key issues, issues that are key to the stability of the continent: defence, security, the third pillar, also on the second pillar and indeed on the first pillar, so we can move forward apace. We are not that far off starting to draft this political declaration, but in our view it should be quite specific, quite precise. It is not just you who require clarity. The Ministers, the heads of Government and the European Parliaments also require clarity, so I want to be transparent, I want to be clear.

At some stage the time will come when we have to acknowledge that there is a disagreement on specific points and then we can see whether we can resolve those disagreements. But I think we are almost in a position to be able to start drafting the political declaration, but as I said, it has to be quite detailed. You need clarity and we also need clarity on our side, looking ahead to the future. We also need clarity on our side to be able to prepare the negotiating mandates for the different negotiations that are going to start as of 1 April. We do not have that much time, so the more detailed the declaration, the easier it will be to draft the negotiating mandate and the easier it will be to start the negotiations.

Q2543 **Stephen Crabb:** Good afternoon, Mr Barnier. You have previously stressed to us the importance of these negotiations being grounded in legal reality. Do you also recognise the need for the negotiations to be grounded in political reality? You have taken some time this afternoon to explain to us that you are

not opposed to all of the elements of the White Paper, but there are points of detail on which there are problems for the European Union. The problem is that since the White Paper was published those weeks ago, it has barely got off the ground in the United Kingdom. It is almost dead politically. Do you recognise that there is a danger that you will be negotiating with the British Government about a text that has very little, if any, political support back in the United Kingdom?

**Michel Barnier (Translation):** Let me say this once again: I do not in any way want to interfere in the national political debate in your country. I have said this before and I will continue to say that. But we do watch it very closely and it is very stimulating.

It is not up to me to tell you how to deal with the White Paper in the House of Commons, in the House of Lords. It is not up to me to say. I am a European Union negotiator. I try to stick to my mandate scrupulously and we have done a lot of work and that shows that we can make progress. This isn't just virtual progress. There are 168 articles of the protocol and we have managed to find an agreement on some 80% of the legal content.

On a more positive note, in the White Paper, the existing proposal from the British Government, there are some elements that will be useful in finding an agreement and I referred to the points in the White Paper where there is common ground between the United Kingdom and the European Union, but it is not up to me to say how you deal with the question of the White Paper.

Q2544 **Emma Reynolds:** Merci beaucoup. Thank you for having us again and for your time this afternoon. I want to ask you a question about the British Government proposal for a common rulebook. You have said very clearly what the problems with that are. If I have understood it, there are two major problems: the UK Government's wish to end free movement and their wish to separate goods and services. Are there any circumstances in which the EU might agree to a common rulebook, for example, if the UK Government were to soften their approach to free movement? I know that you have said very clearly that there is a link to the customs union as well. If the Government were to move on the customs union, what kind of scope might there be for an agreement on common standards on trading goods? Obviously, simply a free trade area is not going to give us the integrated supply chains that we need for manufacturing in my constituency and in other parts of the UK.

**Michel Barnier (Translation):** A free trade agreement, even if it is an ambitious one, is just that: a free trade agreement. It is not a customs union. Nor is it a situation where the British market will be integrated into the single market, unlike what we have with Norway. The Norwegian market is integrated, so depending on the nature of our relations, that will affect the quantity of checks and controls necessary. If it is not that model, Norway-plus, there will be a relationship where there will be controls and checks.

If you were in a customs union with us, which is possible, we would have a common external tariff and we would not have a problem with the issue that you raise, the question of the supply chain and the link to the rules of origin. That problem would disappear, but that means that we would still be part of the same trade policy for goods.

**Sabine Weyand:** If I may, at the invitation of Mr Barnier, just complement the answer to your question regarding the possibility to agree to a common rulebook in the absence of alignment on services or free movement of people. Our analysis is that the indivisibility of the four freedoms is also an economic concept and that, if you look at the production, you have all sorts of production factors that go into the production of goods. You have a large part of the value added product today that comes from services, so the possibility to undercut competition in the services aspect would have a knock-on effect on the conditions of competition on goods.

That is why we think we cannot separate the two, but the same is also true on capital costs, and the same is also true on process and production methods more generally. That is the reason why in the EEA agreement we not only have the four freedoms but we also have an alignment of the key flanking policies in the environment and social policies, so this is a coherent whole that has an impact on the conditions of competition. Therefore, there is an economic reality between the indivisibility of the four freedoms, which is the reason why this is a concept that the leaders of the EU have reaffirmed and insisted on since the day after the referendum—indeed, before the referendum.

This was a policy that was in place when Mr Barnier was appointed and that is obviously the guidelines by which Mr Barnier and the team that supports him negotiated.

**Chair:** Thank you very much indeed.

Q2545 **Andrea Jenkyns:** Thank you for your time today, Monsieur Barnier. First of all, what legal or political framework would need to be in place for the EU to accept the UK's proposed facilitated customs arrangement? What legal and political framework would need to be in place for you to accept the facilitated customs arrangement?

**Michel Barnier (Translation):** I try to understand the questions raised by the British Parliament but in this case I do not really understand what your point is. We are trying to organise the orderly separation, the orderly withdrawal. You are going to be leaving the Union and the institutions but for 21 months we will remain in the single market together and in the customs union and in other European policies. During that time we will discuss a new agreement. It may well be an ambitious free trade agreement, the most ambitious ever created, including customs and regulatory co-operation. That would be the legal framework, so a new agreement, a new treaty, a new bilateral agreement between the European Union and the United Kingdom.

Q2546 **Andrea Jenkyns:** Thank you. Looking at the issue of the Northern Irish border, the WTO has exceptions to most favoured nations provisions. Would you get your people to look at that, because that would give greater flexibility in customs application for frontier trade up to 20 km each side of the border? This is very important for areas where there is national security that may be an issue in Northern Ireland, such as Donegal. Would this be an area that you could look at in the European Union, to look at the WTO exceptions to most favoured nations provisions because this could be a way of helping to solve the Northern Irish border?

**Michel Barnier (Translation):** We want to avoid the hard border. It is not 20 km. It is much longer than that. That is not the problem. Let me remind you the British Government have acknowledged their responsibility and

confirmed this, the fact that Brexit is creating this existing difficulty, and the United Kingdom has acknowledged its shared responsibility as co-guarantor of the Good Friday Agreement. That is why we are waiting for proposals.

In the meantime, we came forward with a proposal and, whenever I have an opportunity, I try to explain this once again because it is an exceptional solution to an exceptional situation in Northern Ireland and the need to maintain stability and preserve the Good Friday Agreement in all its facets. This proposal would integrate Northern Ireland exceptionally in our customs territory and look at alignment for goods.

Let me say the following as a politician, not as a Brussels Eurocrat. I know your country very well and I know Ireland very well. I respect your country. We need the necessary controls but we don't want in any way to undermine the constitutional structure of the United Kingdom. We need to look at the individual controls that are necessary. I discussed this with Dominic Raab last week. We need to see how and when and where these controls would take place. They could be dispersed. They could take place in different places, on board vessels, in ports outside Ireland, they could be done using technological means, they could be dispersed, as I said, or simplified in technological terms.

Just to make that absolutely clear, we are not talking about a border. We are talking about controls. Some of these controls are already carried out in Northern Ireland on products coming from Great Britain. For example, plant-health checks, veterinary checks, animal checks. These checks are already carried out in Northern Ireland on products coming from Great Britain, from the mainland. I said this to Mr Dodds on one occasion. He recognised that it was indeed the case, and that is the spirit. That is why we want to de-dramatise this need for controls between our two markets.

On the WTO, perhaps you could say something.

**Sabine Weyand:** You referred to the exemption from MFN provisions in the WTO. Now this refers to tariff issues. Indeed you can create an economic zone 20 km around the border or wherever, but that does not address the issue we face on the island of Ireland.

Here we are talking very practically about—imagine—an import of shrimps from an Asian country where they treat shrimps with antibiotics, which are prohibited in the EU because they can lead to blindness. Now this shipment arrives in Liverpool and is destined for the market in Northern Ireland and also the EU27. At what moment and how do we check that there are no residues of prohibited antibiotics? A 20 km zone does not address this issue. That is one example.

The second example is bicycles imported from China on which the EU levies anti-dumping duties. Maybe the UK in the future decides not to have such anti-dumping duties because you want to have your own system on this, so how can we ensure that bicycles, arriving in Liverpool again or somewhere else, do not end up undermining the anti-dumping duties that the EU is levying? How can we avoid that this becomes an entry point into the single market? Again, WTO rules on exemptions, of 20 km, do not address this issue.

The third issue—and a very important one—is VAT. How can we ensure that VAT is levied correctly? That is a major source of revenue for all our member

states and is also a major source of fraud in the EU but also in the UK. Therefore, we will need to have a system where we can protect the integrity of the single market and the customs union, in a situation where we do not have a hard border between Ireland and Northern Ireland.

It is on these very precise and concrete issues that we need to find a solution.

**Q2547 Mr Pat McFadden:** Thank you for your time, Monsieur Barnier. I think you have told us two significant things today about the White Paper. The first is that the proposals on customs are not acceptable to the EU, and the second is that the proposals on the common rulebook for goods are not acceptable to the EU for reasons set out by you and Ms Weyand. Just for our understanding, you said there are other good things in the White Paper but without the proposals on customs and without the proposals on a common rulebook the White Paper is basically dead, so what should our conclusion be as to the likely trade agreement?

Looking at this slide in front of you, it looks to me like we are back to a Canada-style agreement with the added provisions around security co-operation and so on. Have I summarised your remarks correctly and drawn the right conclusion if we go away with that at the end of today?

**Michel Barnier (Translation):** Mr McFadden, you summed up what I said but I think you were somewhat brutal—over-hasty I think. This picks up on a previous question from Hilary Benn. I also listen very carefully to what Hilary says. You seem to be underestimating the other pillars in this proposal for co-operation. In the second column, for example, there are proposals for co-operation using existing instruments, such as we have for Norway and Switzerland, and they are very important. For example, co-operation between hospitals on cancer research, for example, Cambridge Hospital. Another example would be young British people availing themselves of the Erasmus programme, co-operation between universities. There is a lot of co-operation between British universities and the EU, so there is a lot in there. Do not underestimate that.

When it comes to police and judicial co-operation, the Arrest Warrant, for example, we hope to find a solution there. There is Europol. There is Eurojust, and in the fourth pillar—I worked on four instruments there, four possible instruments that we are prepared to deploy in co-operation with your country, for example, on consultation between the UK and the European Union. The UK will still have a very important place on the Security Council in matters relating to foreign policy and then of course possible participation by the UK in EU-led operations if you still wish. I am prepared to roll that out. How you would co-operate with the European Defence Agency, for example. Then there is the question of co-operation between intelligence agencies, so these are big areas. Do not underestimate them.

I am a bit surprised to see you focusing so much on the economy. When it comes to the economy I have been saying the same thing for the last two years. You are leaving the European Union. Theresa May has said on several occasions, in Florence and elsewhere, “We are leaving the single market. We are leaving the customs union”. She said that as a result of the referendum outcome, so leaving the EU, leaving the single market, leaving the customs union, there are consequences.

I work on the basis of the European Council guidelines and basically we are not going to weaken or undermine the single market just because you are leaving. We are not entitled to do that. We cannot do that. We cannot weaken the best thing we have, really, something that we built together with you. That is why I very much regret that you are leaving the single market. All this has to be seen as a whole and it is going to require a lot of work.

Q2548 **Mr Pat McFadden:** I accept the significance of the security co-operation. I am just trying to understand, so, at the risk of maybe being direct again, on the trade front, should our understanding of what you have said today be that on the trade pillar, your number 1 of the 4, what we are looking at is, in terms of the existing models, is closer to a CETA Canada-style agreement than anything else? I just want to understand, is that correct?

**Michel Barnier (Translation):** But that is the logical consequence of the red lines that your country set itself and that some of you here support: no Court of Justice, no payment, no European regulatory framework, no European trade policy and no freedom of movement for persons. I have listened to you. I will be taking that into account. We are respecting your red lines but you in turn have to respect who we are.

Q2549 **Peter Grant:** Good afternoon, Monsieur Barnier. You mentioned in your opening remarks that the backstop agreement on Ireland is essential for the delivery of the Withdrawal Agreement. There are some in the UK Parliament who say that is nonsense, that the Ireland question is being turned into a difficulty where no difficulty really exists. I suppose, someone who was unfamiliar with the values of the European Union and the reason why the European Union exists might say there is no problem because the United Kingdom leaves the European Union, leaves the single market, leaves the customs union, leaves everything behind, but the UK Government then unilaterally says, "We will keep an open border in Ireland".

Arguably, it is in the interests of Ireland to keep an open border as well. So how do you explain to that person why it would be such a difficulty for the European Union to allow an open border between the Republic of Ireland, a member of the EU and all its institutions, and Northern Ireland, which is outside of all of those institutions?

**Michel Barnier (Translation):** Mr Grant, unless I am mistaken, it is also then the external border of the United Kingdom. Yes, or no? It is not just our external border of the EU, it is also your external border of the UK, and I do not dare imagine that somewhere in your country you are not going to assume it is your responsibility to control your external border. It is too easy to say, "Let's leave the border open", when your country has decided to leave the EU, the single market and the customs union.

At the same time, your country says you want to respect the Good Friday Agreement in all its dimensions, but the fact is—and this has been explained to you very clearly by my deputy, Sabine Weyand, by way of a number of examples—I think it is your case, your country itself has to protect your own consumers and your own businesses. We both have the obligation to protect our businesses. Sabine gave you some examples. I could give you others that I know pretty well: imports of chicken with chlorine from the United States—no way, no way. We will not accept cloned beef or chlorinated chicken. If your country were to have a trade agreement with the US in future whereby you

accept that kind of product, obviously it is conditional, but you might accept products that we would not want in the EU. That is a direct example of consumer protection. I think that works both ways. It is also protecting your British consumers in your British market. Do you want to add something?

**Sabine Weyand:** As Mr Barnier has said, we obviously have listened very carefully to what the UK Government have been saying, and one of the motives behind Brexit is to take back control of external borders and of course also to have the ambition to have a trade policy of your own. The moment you renounce using one border there is no possibility to have an independent trade policy of any sort because, obviously, that non-policed border would be the entry point into the UK domestic market, which we would then not be able to police. As Mr Barnier says, that is a technocrat's response but I think this is also an issue to which Prime Minister May has given a reply and we have always been listening very carefully to what the Prime Minister said.

In her Mansion House speech she said, "But it is not good enough to say, 'We won't introduce a hard border; if the EU forces Ireland to do it, that's down to them'. We chose to leave; we have a responsibility to help find a solution." That is the commitment of Prime Minister May and that is what we are negotiating now with our UK interlocutors.

Q2550 **Peter Grant:** I agree that there is a logical difficulty with the idea that the UK leaves the EU to control its borders and then keeps its overland border open to all comers, but that is in fact the position that has been suggested by some, not in the Government but certainly in the Government party. I am just trying to tease out why that would be such a problem to expect the Government of the Republic of Ireland to do the same. My country is desperately trying to stay in the single market, the customs union and the European Union if we possibly can.

If we leave aside the question of why did the United Kingdom do it, because I think it is important for people in the UK not to argue about what is best for the EU and the people on the EU side not to spend time arguing what is best for the UK because that can confuse things, but why would it cause a problem for the European Union if the Irish Government were minded to say to Northern Ireland, "I tell you what, don't tell them in Brussels but we will just keep our border open and it will be our little secret and we will do it alone"? Why does that become such a significant problem for the European Union?

**Michel Barnier (Translation):** Mr Grant, just to avoid any misunderstanding, first of all, I am a negotiator for the Irish Government, in as much as I am negotiating for the 26 Governments, and we have continuous dialogue with the Irish Government as indeed with the other Governments as to our position.

Secondly, it is not a bilateral question this between just the UK and Ireland. It is bilateral between the single market and the European Union and the British Government and the European Union, of which Ireland is part.

Q2551 **Jeremy Lefroy:** Thank you very much, Mr Barnier. The people who will be most immediately affected when the UK leaves the EU will be the 3 million or so EU citizens living in the UK and the 1 million or more UK citizens living in EU countries. Of course, everybody will be affected eventually but they will feel the most immediate impact. I want to ask you whether you are completely satisfied with where things are at the moment as regards UK citizens, EU

citizens, in respective countries, and the preparations being made to regularise the status in each case, and whether there are still any points—perhaps minor points—that are yet to be agreed, and then to ask about the question of ongoing freedom of movement for UK citizens who are currently resident in an EU country, their right as with other EU citizens to movement to another country within the EU. Finally, the question of recognition of professional qualifications. I imagine that would be part of the stage of the political declaration rather than the actual treaty, but your comments on that. Thank you.

**Michel Barnier (Translation):** Mr Lefroy, your two questions are not to be dealt with under the heading, “Orderly withdrawal”, but rather under the heading, “Future relationship”, the conditions for the freedom of movement of British citizens throughout the whole of the single market of the European Union, then the question of mutual recognition of certain professional qualifications and the like. We are working on that and that is a point that will be raised as part of the prospects for our future relationship. We are dealing with that under the heading of the future relationship.

On the first point, we have worked a lot. You just said that they are in the front line, these citizens, and I agree with you very much. That was our priority, both for the UK and the EU, that we should find an agreement on citizens’ rights. There are several dozen articles in the Withdrawal Agreement on the security of all citizens’ rights, 4.5 million people altogether; reciprocal, balanced for families of these citizens throughout their lifetime, and I think the agreement reached so far is satisfactory on that. The legal security will of course come with the ratification of this treaty but for the time being I think we have a good result on that.

The points you have raised will subsequently be negotiated when the future relationship is discussed.

Q2552 **Jeremy Lefroy:** Thank you very much for that comprehensive answer. Just one very quick follow-up. In the event of no agreement—which I very much hope will not be the case, that there will be a good agreement—how do you see the rights of citizens on both sides, UK citizens in the EU and EU citizens in the UK? How do you see that playing out, because clearly that will be of extreme importance to citizens and their families?

**Michel Barnier (Translation):** In all areas, if the outcome of these long negotiations were to be no deal, then measures would have to be taken on both sides, contingency plans in this area as in any other. Then it would be a unilateral decision on each side because there would be no further discussions between us.

That is one scenario we have prepared for among others, but it is not the option I am personally working towards. The European Commission manages all EU policies on behalf of the member states. It has to go through a preparedness exercise. We have teams dedicated to doing that, to being prepared for a no deal should it happen but I am not working towards that aim. You don’t need a negotiation for no deal. You need a negotiation for a deal.

Q2553 **Richard Graham:** Thank you, Mr Barnier. As always, thank you for the possibility of discussing these very important negotiations.



Can I raise four quick points, really about the potential inconsistencies of the European Commission stance? First, in the White Paper proposals the core is effectively the division between the way in which trading goods and services are proposed. You have said very clearly—if *Frankfurter Allgemeine Zeitung* translates you accurately—that services cannot be separated from goods, but of course they are separated in all free trade agreements including, for example, the EU's free trade agreement with Turkey. There are indeed elements of the Withdrawal Agreement already agreed in draft specifically on goods, and in the single market, trade and services are treated differently. Indeed, there are very different degrees of integration for both trade and services, so they can be treated separately.

Secondly, Frau Weyand said earlier that the principal objection of the Commission to the proposal in the White Paper on trade and services was because there are overlaps, for example, in terms of the cost of capital, which effectively means the EU would be concerned about the UK being more competitive than the 27 nations of the single market. But, Monsieur Barnier, you yourself have said several times that you see no advantage to Brexit. We would in this situation be losing the passporting rights of our services companies and, therefore, from an EU perspective, we would clearly be worse off by having our services outside the single market, and so why is the EU so concerned about the possibility of competition from the UK in such an environment?

Thirdly, Monsieur Barnier, you said earlier that you have been saying the same thing for two years and, indeed, members of this Select Committee who have met you over this period would agree in many ways. But the UK position has adapted considerably over that period of time. You spoke, for example, of the importance of free movement, but the UK has made a unilateral commitment to the 3.5 million European nationals living in the UK, even if there is no deal, while there has not been remotely the same approach to the over 1 million British citizens in Europe. Therefore, some people would say, "Isn't it time that the European Commission did start saying something different about citizens' rights, as we have, regardless of the deal, rather than treating our own citizens as hostages?"

Fourthly, and perhaps most importantly, the very last point—

**Chair:** Richard, you have to be very quick because you have taken three minutes on the question.

**Richard Graham:** In the statements that have been quoted, you have rejected two major elements of the White Paper: customs and the division of trade and services. These two things make it incredibly difficult for British politics for this deal to be approved by Parliament and, therefore, the rejection of them increases the severe risks of no deal.

You said earlier why would we accept things contrary to our own economic interests but, Monsieur Barnier, with respect, no deal would not be in the economic interests of the European Union. I think it would be extremely hard for you or anyone to explain to French fishermen how a no deal solution, when 40% of their fishing take is from British waters, could conceivably be in their interests, and that is one example of many. Therefore, my concern is—

**Chair:** With respect, Richard, I have four colleagues who want to come in in the time that is available.

**Michel Barnier (Translation):** I like the way you question me. It reminds me of when I was a Minister. I was Minister for Fisheries at one stage and I miss this kind of jousting. I am very touched that you are concerned about the interests of French fishermen. French fishermen, like Belgian fishermen, Danish fishermen, do indeed fish some of their catch in British territorial waters, but when it comes to the processing industry and the British processing industry, what about their access to the European market? That is another concern that has to be balanced against what you said. They export about 60% of their produce to the European market as a processing industry.

You refer to two different things. A free trade agreement is not the same as the single market for goods. We will not agree to unravelling or weakening the single market where goods and services are part and parcel of an integrated ecosystem, which we constructed together with you and your representatives over a 30-year period. I mean look at your telephone, for example: 40% of the value of that is linked to services. How could we ask European Union companies to accept the regulatory divergence that you want for services and thus accept unfair competition for goods? We cannot accept that. We won't, but it has nothing to do with free trade or a customs union of goods. Here we are talking about a single market, so we respect your red lines. You should respect our position. We will not agree to unravelling or weakening the single market.

You are the ones leaving. It is not us. We are not leaving the UK. You are leaving the European Union. I am very calm but I want to make it clear, we will not accept any measures that will be detrimental to European companies.

Then you have a parallel between free movement and acknowledging citizens' rights as they will stand until the end of the transitional period. Free movement is one of the reasons for your campaigning for Brexit. We are talking about people being able to move to other countries and circulate freely. You do not want that anymore. That is not the same as citizens' rights guaranteed at the moment of withdrawal.

**Sabine Weyand:** On the issue of the consistency of the EU position, indeed, as Mr Barnier has said, there is a difference between a free trade area in goods and the single market in goods. The way in which differences in regulation are reflected in cost advantages is different between an FTA and the single market for goods.

You referred to Turkey, which is in the customs union with the EU but it is not part of the single market for goods. From that point of view, our positions are consistent. I have also not said that the issue is one of the EU being afraid of the UK being competitive. The issue is one of the UK using a lowering of standards in essential issues in order to gain an advantage in competitiveness, which is fine in the context even of a free trade agreement up to a point but which we cannot accept for a country that would be part of the single market. That is the idea, so it is not a rejection. Of course, the fact that the UK will have to develop its competitiveness outside the EU is clearly understood, and I think we are up for the competition.

Q2554 **Mr Jacob Rees-Mogg:** Thank you, Chairman, and thank you, Monsieur Barnier. It is enormously courteous of you to agree to see a House

of Commons Committee and we are all extremely grateful and interested in this session.

I want to make one point that has arisen from a number of things you have said about the UK's departure from the EU and it being our decision. Of course it is, but it is a treaty right that we have under Article 50 that requires the EU to behave in a reasonable way, and I don't think that stops the EU compromising within this. I would just make that point, and then that I am absolutely delighted that you reject the customs parts of the Chequers proposal, which are very unpopular in the United Kingdom, and it is very encouraging that you and I are in agreement on at least one issue although possibly for different reasons.

Looking at your proposal for a free trade agreement—which I think is a very good one—doesn't it seem rather expensive at £40 billion to get something that can be got for free?

**Michel Barnier (Translation):** First of all, Mr Rees-Mogg, you are always welcome here, as your colleagues will tell you. I listen very carefully to your comments and to your speeches and it is a pleasure to meet you for the first time, and I say that sincerely.

I never used a figure. You mentioned a figure. I never used a figure when we discussed the financial settlement. I never used a figure. We worked well with the British Government on the basis of legal commitments entered into on both sides, legal commitments by your country for the period of its participation in the customs union and the single market against the backdrop of the financial perspectives, so I would not endorse the figure you said. I did not mention that figure. But that figure has nothing to do with the future. That figure is settlement for the past. You want to leave the European Union. That is your decision, so we settle the accounts. As in any separation or divorce, we settle the accounts. That is what it is. The future is a different matter.

If your country—and this might happen—were to request participation in the single market, as per Norway, while remaining outside the European Union, we would discuss your financial participation to European solidarity, but that is for the future. The figure you mentioned relates to settling the balance for the past.

Q2555 **Mr Jacob Rees-Mogg:** Thank you. The House of Lords, in March last year, came out with an authoritative report that said that if the UK left without a deal, it would have no obligation under international law—EU law or UK law—to pay anything. So we are effectively paying whatever the figure may be—it has been estimated at about £40 billion—for the future and that requires a good deal. Therefore, in the negotiations would you accept conditionality on the payments, which the British Government is asking for, in respect of a future deal?

**Michel Barnier (Translation):** Let me pick up on that point. We have always said—and the UK has accepted—that we should settle the past, deal with the separation issues, clarify the many uncertainties following your decision. That is what is in this treaty. More than 80% is the subject of agreement with Theresa May's Government, and that includes the financial settlement. As far as we are concerned, that is clear and settled. There is no question of going back on that.

Looking ahead to the future, we are working on the future and we hope to be able to conclude an ambitious agreement for the future.

Q2556 **Mr Jacob Rees-Mogg:** Just to note that if there is no attachment between the two then it may be very hard to get the deal through Parliament. If it is £40 billion without any clarity what is being bought, I am not sure many MPs will want to pay taxpayers' money for that.

**Michel Barnier (Translation):** If the United Kingdom, through its Prime Minister, has agreed to honour its commitments, that means that Theresa May's Government wants to assume their responsibilities when it comes to participation in international commitments and commitments vis-à-vis the European Union. It is a very big responsibility. It is an important point for your country and other countries as well, my own country. It is important to have a firm signature from the UK as with that of other EU member states. We may work on a possible link. I don't know what legal form that will take but there may well be a link. Obviously we will have to look at the legal form of that link. There might be a link between the Withdrawal Agreement and the political declaration.

Q2557 **Seema Malhotra:** Thank you, Monsieur Barnier, to you and to your team for today. I wanted to start with a very brief follow-on, a point of clarification as well after the question by Mr Grant. In the note of your remarks, following your meeting with Secretary of State Dominic Raab last week, it says that you asked Dominic and his team to provide the data necessary for the technical work, which we need to do now, on the nature, location and modality of the controls that will be necessary as part of the backstop. In terms of who you see as putting together the list of the nature, the location and the modality of the controls, is that something that your team is currently working on as part of the backstop?

**Michel Barnier (Translation):** We didn't ask Dominic Raab for information about who would carry out these controls in the future. What we want is a precise list of the nature, the location of existing controls in Northern Ireland and what volumes are involved. As you know, some goods of interest to the Northern Ireland economy coming from Great Britain go via Dublin, a large part of those important goods, so I wanted to know more about those flows: what type of controls are carried out on those goods and what numbers we are talking about in terms of volume.

My colleague here is in charge of the Irish dossier and we are looking at technical and operational checks that we need in order to ensure the integrity of our respective markets and the protection of our consumers, at how we could perhaps disperse these controls, how we could simplify them in technological terms. That is what we are working on but that is why we need figures.

Q2558 **Seema Malhotra:** Could I also ask if the UK were to request theoretically an extension to Article 50, what is the last date by which a request could be made and has the Commission done any preparation and taken legal advice on how that would work?

**Michel Barnier (Translation):** The Commission has prepared for all scenarios but it is the European Council that has to decide. My recommendation as negotiator for the EU is—well, to be quite frank, out of all the work we have done and which we continue to do every week, our technical teams meet, the

British Minister, Olly Robbins and myself and Sabine, it is not extra time we need now. It is decisions we need now. We have to decide. We have to understand where our mutual red lines are and then decide. It is not a question of a few days or a few weeks. The institutional problem we have, or which you have, is the date of the European elections. It is for that reason that Mrs May sent us that 29 March letter, the notification, then the two years will start to run. That will take us through to March 2019, two months before the European parliamentary elections, so that your country will be out of the institution and not in this rather paradoxical situation of having to participate in European elections at the moment you are leaving. Where we are now, to be frank, it is not extra time that we need; it is extra decisions.

Q2559 **Sir Christopher Chope:** Monsieur Barnier, good afternoon. Do I detect some backtracking on your previous statements that nothing is agreed until everything is agreed? Does this mean that if the EU and the United Kingdom don't conclude a withdrawal agreement there will be no agreement on the Irish border, thereby—using your terminology—jeopardising the situation there? What contingency plans does the EU have for that scenario? You quoted Margaret Thatcher, and if there is one way of endearing yourself with some of the people in this group here it is to quote Margaret Thatcher. But Margaret Thatcher's vision in 1988 was of an outward-looking European Union that was competing across world trade markets successfully. Since then, we know that what has happened is that the EU share of world trade has declined dramatically and all the projections are that 90% of future growth in world trade will be from countries outside the EU. It was with that in mind that the British people decided in the referendum to leave the European Union. You say you can see no value added in that, but do you respect the decision of the British people that they did decide that there was added value, both in terms of sovereignty and also in opening up trading opportunities with the rest of the world that do not exist at the moment?

**Michel Barnier (Translation):** Obviously I recognise that, and I regret the vote but I respect your right. As Mr Rees-Mogg said, it is in the treaty and I know that very well. I was actually one of the drafters of that part of the treaty, as a member of a convention at the time and we made that exit possibility for all member states, which shows that the EU is not a prison and you are not prisoners in the EU. You can leave. That is your right, your responsibility, your sovereign choice for many reasons.

The first time I voted, as a young French citizen at 21 in France, as a member of the Gaullist party, I did campaign for the "yes" to the UK joining the EU, as indeed Ireland, Denmark and Norway, at the time and so I have always been in favour of your being in and I regret that you voted to leave but I have to respect that.

However, we will see in a few years' time where we are, where the advantages and disadvantages are. We will see by then whether it is better to have a common trade policy or to go it alone. We will see then.

I hope you do well. I hope you are successful, quite frankly, but I think myself in negotiating with Mr Trump, in negotiating with the Chinese, it is better to be in a big group and to be sitting on a big single market and a common trade policy. That is my personal conviction. You might well have a different view, and I respect that but I have my own conviction.

Having said that, in today's world I think it is better to be strong together when it comes to negotiating with the other major powers that are not going to wait for us.

**Q2560 Sir Christopher Chope:** You did not answer my first question, which was: is there some backtracking now on statements that you have made in the past that nothing is agreed until everything is agreed? Surely that principle applies to the situation in Ireland. It applies to the situation in relation to the money, so if there is no withdrawal agreement concluded between the EU and the UK what are your contingency plans for dealing with the Irish border?

**Michel Barnier (Translation):** Well, I pose that question to you. There is no backtracking. The agreement clearly will be an overall agreement on all the files and we are preparing for all possible scenarios but I can say again what I have said publicly in the past, that I do not see the added value of Brexit myself, and I see a lot of consequences of Brexit and where you see them most seriously is indeed in Ireland.

**Q2561 Stephen Timms:** Can I ask a very specific question about the protection of personal data? You said on Friday, after meeting the Secretary of State, that we are making real and good progress on this specific point. Can you tell us what the progress has been so far on the data issue, and do you envisage that there will ultimately be agreement in the withdrawal agreement about personal data or will there be a separate adequacy determination process outside the Withdrawal Agreement that will hopefully ensure that personal data can continue to flow freely between the UK and the countries of the European Union?

**Michel Barnier (Translation):** Where we have made much progress, Mr Timms, is on the other separation issues, in particular on the question of data protection that has been exchanged or sent by a country before the end of the transition period. That is what we have been talking about, where we sort out the matters of uncertainty generated by Brexit. So on that point in the Withdrawal Agreement but on other separation issues, which include how do we protect data that continues to be sent and exchanged between your country and ourselves during the transition period, before the end of it? We are close to an agreement on that point. I think I can say that.

Another matter is preserving the exchange of data in the future and, if you look at the four pillars, three toolboxes, in the first green box are the new negotiations that we have to have with your country when it is not in the Union, on trade, on aviation—you are leaving the Single Sky, after all. That will require new negotiation. That is anything in green in the pillars and in two other boxes that are existing tools. The toolbox we have, the third countries in terms of co-operation in the EU's policies, universities' research and so on. The third box in blue is an important one: tools available to us, unilateral tools for co-operation and recognition of equivalence in areas of financial markets such as we have with the US and Japan.

When it comes to financial services, that has led to 200 decisions of equivalence for third country financial institutions, and I don't see why what has worked for the Americans wouldn't work for the British.

Then you can see the decision on data protection is also in there. We will be ready to use the same tools in a constructive way when it comes to deciding on

equivalence, so when it comes to exchange of data so that the flow of data you refer to would be permissible.

Q2562 **Stephen Timms:** On the first of those points, on what happens to data sent up to the end of the transition period, you would expect that to be addressed in the withdrawal agreement itself, would you?

**Michel Barnier (Translation):** Yes. Mr Timms, we have almost reached an agreement with the British on that. We will find an agreement there.

Q2563 **Chair:** One very final quick question from me: Michel, you said if there is no deal there will be no further discussions between us. Can I just check that does not mean that if we are trying to sort out in the event of no deal—aviation, medicines, driving licences—that there would be no discussion because, if you read the papers that Dominic Raab has published about preparing for no deal, as you will have noticed a lot of it assumes that there would be co-operation between us to sort out matters, so I think it would be quite helpful to the Committee to be clear what exactly you meant when you said, “In the event of no deal there will be no further discussions”. Does that exclude all discussions, including on what on earth do we do about planes?

**Michel Barnier (Translation):** Hilary, we want to settle all these matters in agreement. That is why we are negotiating. Now if there is a no deal there is no more discussion. There is no more negotiation. It is over and each side will take its own unilateral contingency measures, and we will take them in such areas as aviation, but this does not mean mini-deals in the case of a no deal. We want a deal. We want an overall agreement; otherwise each will take their own contingency measures on their own side. That is why I want an agreement. I know full well, the worst scenario is indeed the no-deal scenario.

**Chair:** That is extremely clear, I think, and very helpful. On behalf of the Committee can I say—because you have extended your time—we are exceedingly grateful to you for answering all of our questions? Unfortunately, colleagues have to get trains but it has been very good to see you again. Thank you for this on-the-record session. We look forward to checking through the translation with your team translation, the interpretation, so we can publish it as soon as possible.

We look forward to seeing you again at some point but we hope there is a deal. We have different views on what a good deal is but we will leave you and the negotiators to sort that out with our contribution as the Select Committee. Thank you very much for today.