



Select Committee on the European Union

Uncorrected oral evidence: Progress of UK-EU future relationship negotiations

Tuesday 5 May 2020

2.30 pm

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Members present: The Earl of Kinnoull (The Chair); Baroness Brown of Cambridge; Lord Cavendish of Furness; Baroness Couttie; Lord Faulkner of Worcester; Lord Goldsmith; Baroness Hamwee; Lord Kerr of Kinlochard; Lord Lamont of Lerwick; Lord Morris of Aberavon; Baroness Neville-Rolfe; Lord Oates; Baroness Primarolo; Lord Ricketts; Lord Sharkey; Baroness Verma; Lord Wood of Anfield.

Evidence Session No. 1

Virtual Proceeding

Questions 1 - 24

Witness

I: Rt Hon Michael Gove MP, Chancellor of the Duchy of Lancaster.

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Examination of witness

Michael Gove MP.

Q1 The Chair: Mr Gove, welcome to this public evidence session of the EU Committee in the virtual House of Lords, and thank you for again appearing before us.

Today's formula is new and slightly different. There is, however, one bit that is not different at all: we will be producing a transcript and will forward it to you. We should be grateful for any corrections in due course.

A number of Members have prepared questions and supplementary questions for you. We have quite a large membership, so I would be grateful if questions and answers were crisp and short so that the meeting is kept to manageable length.

Each Member, whom I will call in turn, will have five minutes initially to put his or her questions and supplementary questions. After that, I will call the next Member to have their five minutes. I know it will not be easy, but I will try to keep everyone to five minutes.

At the end, provided there is time, there will be an opportunity for three three-minute sessions for Members to come back on a couple of features. We have organised a chat function among ourselves to determine how that will work.

If there is a technical problem and I am chopped off—I am in a Scottish glen—Lord Ricketts will seamlessly take over as Chair until I can rejoin the meeting. I thank him for that.

You, Chancellor, have repeatedly said there will be no extension to the transition period; indeed, you said that in the House of Commons Chamber yesterday. In view of the disruption to the negotiations—and, possibly more importantly, the preparations for the end of the transition period—caused by the Covid-19 crisis and the lockdown extension expected to be set in place at the end of this week, is this a sustainable position?

Michael Gove MP: Thank you very much, Lord Kinnoull. It is a pleasure to appear in front of your Committee. I hope that the weather is pleasant in Perthshire and that after the ordeals of this Committee you will have an opportunity for a lovely walk in the glens.

We believe there is no need for an extension. One of the arguments the Government have made consistently is that the set of agreements that we seek with the European Union are all based on precedent. Rather than attempting to get a variety of bespoke arrangements, essentially we are asking for a range of off-the-peg arrangements. Therefore, if there is any barrier to agreement, it is political rather than technical in most cases.

Q2 Lord Lamont of Lerwick: You cancelled an evidence session with this Committee in March, for reasons that we understood—the pressures of Covid-19—but that does raise the question: can you give an assurance

that Ministers and the Civil Service have the capacity to handle both and make tangible progress by June?

Michael Gove MP: I apologise again to the Committee for that cancellation. As I think the Committee will appreciate, in the early stages of the Covid pandemic the Government were required to make a series of rapid alterations to public policy in the interests of public health. I would not for a moment begin to suggest that the situation is any less serious, but the Government have now developed a rhythm of decision-making that means that the bandwidth of Ministers, while the Covid-19 pandemic is our principal focus, allows them to carry on with other business-as-usual activity. Part of that is preparation for the negotiating rounds and our departure from the EU. While some senior civil servants from the team dealing with the negotiations and transition were seconded in the early stages to deal with the pandemic, we are confident that we will be able, for the reasons I outlined to the Earl of Kinnoull earlier, to secure agreement in good time.

Lord Lamont of Lerwick: May I draw a distinction between the time for negotiation and the time for implementation? I entirely understand that the judgment and call on whether you have the capacity to finish the negotiations by the end of the year must be yours, but businesses are anxious about the time and their capacity for coping with both Covid and the adjustment that may be made to our arrangements with the EU. Can one legally make a distinction between implementation and negotiation? Could you end the negotiation on 31 December and have a longer period for transition for business? Could that be put in the free trade agreement?

Michael Gove MP: Technically speaking, there is a possibility. If one wished, one could draw a distinction between transition and implementation, but it is our view that, while you are absolutely right that business will need time to prepare, it will be possible to leave the transition period and jurisdiction of the EU fully on 31 December, and that we can have arrangements in place that can continue to allow business and others to operate—we hope—with a full trade agreement in place. Even if that agreement were not in place, we are confident that we would have a set of arrangements to enable trade to continue, albeit with some checks and tariffs that the EU might wish to impose.

Lord Lamont of Lerwick: You referred to the costs that would be incurred by an extension of the transition and mentioned “billions”. Can you be more precise about what the costs might be?

Michael Gove MP: For every continued year of EU membership, the cost would be between £20 billion gross and £10 billion net, but one additional complicating factor is that the current EU multiannual financial framework ends at the end of this calendar year. A new MFF will be decided by the EU 27 and we will not have a voice in that process, so even the limited say we had in setting the MFF while we were an EU member will have gone. Therefore, we cannot know precisely what bill we might be saddled

with, or have to assent to, were we to agree to another continued year, or even two years, of transition.

Lord Lamont of Lerwick: Will you give some specific examples of areas where the UK, in responding to Covid-19, will be able to take advantage of not being bound by evolving EU laws?

Michael Gove MP: That is a very good point. One of the things we do not know is how the EU might choose to legislate next year. The longer we spend in a transition period the greater the corpus of EU law and the greater the *acquis* to which the UK would have to assent during that transition period. In the specific Covid-19 crisis arrangements, the EU has shown a degree of flexibility on things such as free movement and state aid, but we cannot know, particularly when it comes to state aid, that we would necessarily have the freedom of manoeuvre we might require. We cannot be certain that the EU would not introduce or uphold rules in other areas—perhaps some of the data sharing that might be required across government departments to deal effectively with Covid-19—that would be inconsistent with the freedom of manoeuvre we might need.

Lord Lamont of Lerwick: If the US imposed tariffs or trade restrictions on the EU and we were in transition—this is not to do with Covid-19—would we not be disadvantaged by that?

Michael Gove MP: That is precisely so: exactly right.

Q3 **Lord Goldsmith:** Lord Lamont touched on the preparedness of government. You have been very clear about that. May I ask you about the preparedness of business? Would businesses be able to respond to Covid-19 and prepare for the end of the transition period on 31 December 2020? If your answer is that you believe they can, on what is that confidence based?

Michael Gove MP: I believe they can. That confidence is based on the fact that business overall is dealing with the reshaping of supply chains even as we speak. The Covid-19 pandemic has meant an increased awareness of the importance of domestic production in certain areas and the disruption of supply chains in others. I am confident that business will be able to cope because it is having to make an adjustment in real time now.

There is a very strong incentive for the EU to wish to maintain the free flow of some of the most vital supply chains into the UK—for example, those relating to food and drink. The economies of countries such as France, Spain, the Netherlands and so on rely to a significant extent on agri-food exports to the UK and, therefore, on maintaining a strong relationship with retailers and wholesalers in the UK.

Lord Goldsmith: May we turn to the negotiation of third country trade deals, including with the US, which you started today. What will be the impact of Covid-19 on that timetable?

Michael Gove MP: Again, I think it depends on the political willingness of other parties to engage. The Secretary of State for International Trade has begun talks today with Bob Lighthizer, her opposite number. With good will, those issues can be resolved relatively quickly. If one looks at the US, in particular some of the difficulties US agriculture is going through at the moment—I would not want to pre-empt the end of those discussions—one sees that there is a stronger reason for the US to want to ensure it can have good access for its agri-food products to the UK market. Some of the more aggressive asks on agri-food that might have been part of the US approach could be dialled down, making agreement, notwithstanding the fact these negotiations are being carried out at a distance, more likely in the end.

Lord Goldsmith: That is very important, and we will look to see how that works out.

One thing about which people in this country will be very concerned is what happens if, despite your confidence, you are unable to reach a future trade deal with the EU. Could medical supplies to the United Kingdom be put in jeopardy?

Michael Gove MP: No, I do not believe so. In advance of our preparations for the UK leaving without a deal on 31 October, considerable work was done by the Department of Health and Social Care in making sure that both medicines and medical supplies could make it into the UK without let or hindrance. Obviously, we would not be in a no-deal situation. We would be in a different situation if we did not secure a free trade agreement.

The analogy with Australia has been used, but, without wanting to labour the point about any analogy, we have done the work already and we would be able to secure the medical supplies we need. My colleague Matt Hancock is building up the UK's resilience in a range of areas, from our testing capacity to ventilator capacity and so on.

Q4 **Baroness Donaghy:** How will the Government seek to facilitate parliamentary scrutiny of the future relationship negotiations and the Joint Committee and specialised committees?

Michael Gove MP: It is a challenge for us all during the Covid-19 pandemic. Officials of both Houses have worked incredibly hard to facilitate scrutiny sessions such as this. I appeared before the Future Relationship with the European Union Select Committee of the House of Commons for a couple of hours last week, and also PACAC of the House of Commons last week, which dealt with a range of issues, some of which were Europe related. I also answered questions on the Floor of the House of Commons yesterday and made a statement last week.

The provisions we have because of the requirement for social distancing are inevitably imperfect, but I and others will do our best to make ourselves available for Committee sessions and questioning on the Floor

of the House, and Written Ministerial Statements will be laid after each negotiating round and each meeting of the Joint Committee.

Baroness Donaghy: Given that the Commission frequently engages in private with the European Parliament's UK Co-ordination Group, will you mandate government officials to provide confidential briefings to the Committee?

Michael Gove MP: I understand that there has been a request from the Committee to receive a confidential briefing from Sir Tim Barrow of UKMis. My understanding is that Sir Tim and his line manager, Sir Simon McDonald, are happy that such a briefing should take place.

Q5 **Baroness Neville-Rolfe:** That is very helpful. Will you be able to provide more detailed information on each round of the future relationship negotiations—for example, on meetings of the Joint Committee—than you have been able to do so far, because it is very helpful to us?

Michael Gove MP: I will try my best. The very first meeting of the Joint Committee, where I chaired the UK delegation, lasted for just under an hour. It was a teleconference. Maroš Šefčovič, the Commission Vice-President and chair on the EU side, and I discussed the EU settlement scheme in the UK and the rights of EU citizens here and the rights of UK citizens in the EU. We also outlined in general the broad approach we would take to make sure the Northern Ireland protocol was implemented.

The negotiations the other week with David Frost and Michel Barnier took place through teleconference. More than 100 civil servants from various different government departments supported David Frost. They touched on almost every area of the negotiations. Michel Barnier made it clear—I do not disagree with him—that the areas of greatest difficulty arose over fisheries, the application of what the Commission call a level playing field and governance.

The EU is very keen to have an association agreement-style approach, similar to that which it has with accession countries, such as Ukraine. We argued that it would be best to have a series of discrete agreements: a free trade agreement; a separate approach on fisheries; a separate approach on security, and so on. I think that both Michel Barnier and David Frost would say those negotiations started cordially and ended with good will but that there were one or two tough moments along the way.

Q6 **Baroness Neville-Rolfe:** That is encouraging, and there will be more specific questions on those. You mentioned David Frost. I think you indicated last week when you spoke to the House of Commons Future Relationship with the European Union Select Committee that he might be able to appear before it. Would he also be available to appear before our Committee?

Michael Gove MP: I will ask David. I am sure he would welcome the opportunity. I think David would make the point, although I cannot speak entirely for him, that he works for the Prime Minister. The Prime Minister has decided that he should lead the negotiations and I should be the

person who is accountable to Parliament for their progress. I suspect that David would wish to appear with me. If the Committee was happy with that, I am sure we could facilitate it.

Baroness Neville-Rolfe: It would certainly be helpful to find an arrangement. You will appreciate that, unlike the position in the past, there is not a Minister in charge of the negotiations whom we are able to question. We were able to question Mr Barclay, Mr Raab and Mr Davis, and sometimes they were very helpful to us. If we could find a way forward, that would be great. You bring contrasting knowledge and experience, so that helps to make a richer conversation. Thank you for that positive response.

Q7 The Chair: In the draft treaty text that the EU proposed some weeks ago there were provisions on a partnership parliamentary assembly. You said in your evidence on 27 April, to which you have already referred, that the Government would "give a fair wind and a blessing" to such proposals if Parliament supported them.

The Government control the House of Commons, so, if Parliament is to be able to engage in something like that, the support of the Government is important. What would you need to be satisfied of to give such support so that effective proposals for an assembly can be put together?

Michael Gove MP: I am generally cautious about Government directing what Parliament might wish. I take your point that the Conservatives have a majority in the House of Commons, but I would not want to prescribe precisely what form of co-operation Parliament might decide on with other sovereign bodies or parliaments.

In my evidence to PACAC I hope I made clear two points. The first is that there already exists very valuable opportunities for parliamentarians across Europe to meet through the Council of Europe, but this would be a different beast, as it were. One of the things I want to emphasise is that I am sure the European Parliament would not want to see its sovereignty usurped, and the UK Parliament would not want to think this was the sort of body that would allow EU parliamentarians to impinge on the sovereignty of the UK Parliament.

I am saying what I think most people would accept. My view is that engagement, discussion and dialogue between parliamentarians is always a good thing; it is just making sure that it does not impinge on the sovereignty and remit of existing parliamentary institutions.

Q8 The Chair: If that is the only problem, surely that could be handled in the infrastructure of such a partnership assembly. It could make absolutely certain that there is not any underlying endeavour. Is that not the case?

Michael Gove MP: My view is that this is a matter for parliamentarians to lead on. If Members of the European Parliament and Members of either House were keen on the proposition, we would certainly not want to try to undermine that. We want to do everything to facilitate it, but I do not

think—maybe I am being too reticent here—that the Government should prescribe exactly how Parliament chooses to operate. This is a broad analogy. In the same way as the House decides—through whipping and so on—which Select Committees it will set up and Select Committees decide their remit, if a Joint Committee of the Commons and the Lords decided that the best way of engaging was a particular route we would do everything to facilitate it.

The Chair: At the moment, Parliament is involved with at least three other parliamentary assemblies: the British-Irish Parliamentary Assembly; the Council of Europe Parliamentary Assembly; and the NATO Parliamentary Assembly. Would I be right in saying that those three are all successful, particularly the British-Irish one, and that therefore one could draw the inference from that evidence that this assembly could do a lot of good?

Michael Gove MP: Yes, I think you are absolutely right to say that the three existing assemblies do a lot of good. I do not want to seem lukewarm; I just want to make sure that I am not trying to steer Parliament towards a particular outcome. If Parliament wants a particular outcome—there are good precedents for that—we will do everything we can to help and support it.

The Chair: To change the subject a little, the draft text contains a list of 15 new specialised committees, added to the six specialised committees already being operated under the withdrawal agreement. That seems an awful lot of specialised committees. What is your view on the correct number of specialised committees to deal with the relationship going forward?

Michael Gove MP: The existing specialised committees are there to make sure that the aspects of the withdrawal agreement work. As the transition period falls away, the work of the specialised committees should be superseded by specialised committees looking at our free trade agreement and other agreements. At this stage, I would not want to prescribe that number. It obviously depends on the scale, depth and breadth of the range of agreements we reach, but I can understand why, given the nature of the relationship we would like to have with the European Union, a significant number of specialised committees makes sense.

Q9 **Lord Faulkner of Worcester:** Will you describe the practical steps the Government are taking to implement the Ireland/Northern Ireland protocol, particularly the customs procedures for goods entering Northern Ireland from Great Britain, providing for the necessary sanitary, phytosanitary controls and regulatory checks in respect of goods entering Northern Ireland from outside the EU?

Michael Gove MP: Our aim is to make sure that we implement the protocol in a way that honours the reason it exists. The protocol is a reflection of the desire of the EU and UK to safeguard the gains that have been made since the Belfast Good Friday agreement of 1998. We all want

to ensure that, 22 years on, the communities of Northern Ireland can benefit from the peace established, the prosperity that has grown and the relationships that exist across all our islands.

That is the principal aim. One of the things we want to do is make sure that we can both guarantee unfettered access for goods from Northern Ireland to the rest of Great Britain and, at the same time, that the UK can play its part in helping the Republic of Ireland to maintain the integrity of the EU single market.

You are right that one of the most important areas in that respect is live animals and products of animal origin and agri-food products where there will be a need for SPS checks, because Ireland will not be a single epidemiological zone; it will be a single zone for SPS requirements. We believe it is possible to have light-touch checks that can be conducted on the ferry—through transportation—which will ensure that all the requirements can be met, but it is a matter for the Withdrawal Agreement Joint Committee and the specialised committee to refine those.

The other thing we want to do is to make sure that goods that go from the UK to Northern Ireland and then pass on to the Republic of Ireland are appropriately registered so that tariffs can be paid, if necessary, but it is important to stress that the amount of trade between GB and the Republic of Ireland that goes through Northern Ireland is small. We want to ensure that the checks we have to honour the need to support the protocol and the EU single market are not so onerous that they create financial and administrative burdens for businesses in Northern Ireland, which all of us want to see benefit from these arrangements.

Lord Faulkner of Worcester: I think you have accepted that there will definitely be checks on food going from Britain to Northern Ireland, and indeed the other way. Can you say more about what those checks will consist of? What are you doing to enable businesses in Northern Ireland to understand them before they come into effect?

Michael Gove MP: The Northern Ireland Office and the business department are engaging closely with businesses in Northern Ireland, because we want to make sure that this is less a matter of the draconian imposition of a new set of burdens and checks but more the effective implementation of the protocol in a way that goes with the grain of business. It is principally the case that to protect the single market checks will be required on products of animal origin going from GB to NI, but it is also the case that the protocol says that goods coming from Northern Ireland into the UK should enjoy unfettered access. It is important we recognise that there is a difference between goods going from Britain into Northern Ireland and then potentially into the Republic of Ireland, and goods coming from Northern Ireland into the rest of the UK, where we do not want to have any unnecessary impediment.

Lord Faulkner of Worcester: You will well remember that when it looked as though we might have been leaving the EU without a

withdrawal agreement a very significant public information campaign was ramped up to prepare the British people for that. Do you think there will be a similar public information campaign to help people in Northern Ireland understand the protocol before it comes into effect? Will there be a training programme to help small businesses understand what is expected of them?

Michael Gove MP: Yes. We do believe that it will be necessary to support business and the wider population to understand. I do not think it will be quite on the scale of the campaign in the run-up to 31 October, because there has been more time and the changes required to implement the protocol would be fewer than those that might have been required to deal with a potential no-deal situation in the past, but the need for engagement and information is clear.

Q10 **Lord Oates:** Do you agree with Michel Barnier that UK implementation of the terms of the protocol is a precondition of any future relationship agreement?

Michael Gove MP: I think it is vitally important that both the UK and EU recognise they have obligations under the protocol. The real test of success is: does the protocol safeguard the peace of Northern Ireland? The EU sees itself—I completely understand why—as fundamentally an organisation set up to cement and entrench peace. As history reminds us, it was born out of people who were idealistically committed to doing everything they could to create political structures that entrenched peace. It is in the same spirit that we want to work with the EU to make absolutely sure that the protocol is fully implemented so that the gains of the peace process can be cemented.

Lord Oates: In that case, you will be aware that the Prime Minister has insisted there will be no checks in the Irish Sea. You may also be aware that the Institute for Government has said that that claim looks impossible to square with the legal text. How do you see these comments in building any sense of confidence that the United Kingdom intends to implement the protocol?

Michael Gove MP: I think the proof of the pudding is in the talking, as it were, between the UK and EU about how we make sure the protocol can be implemented. It was the bulk, though not all, of the discussion we had at the Withdrawal Agreement Joint Committee; it has been the work of the specialised committee.

As Lord Faulkner quite rightly emphasised, there are specific requirements for specific goods that vary when it comes to goods going from GB into NI, as distinct from goods going from NI to GB. But the Prime Minister's point is a powerful one. Ultimately, the protocol is not designed to undermine the sovereignty of the UK over Northern Ireland. No one has ever made that point. We remain one United Kingdom. The administration of the protocol will be a matter for the UK, and the protocol stresses that there will be unfettered access for business in Northern Ireland to the rest of the UK.

Q11 **Lord Oates:** You said last week that “the specifics of the Protocol depend on work that is now being carried out in the Specialised Committee” on Ireland/Northern Ireland. Will you update this Committee on that first meeting, which I think took place on 30 April? Will you also commit yourself to providing updates on the work of the specialised committees, rather than obliging Parliament, as has happened previously, to rely on social media for its information?

Michael Gove MP: We will certainly update Parliament on the work of the specialised committee and the Withdrawal Agreement Joint Committee. The specialised committee may choose to share with journalists what it believes is important information from its working. There we go; it is the way of the world. We will do everything we can to make sure that Parliament finds out first and has the chance to question Ministers.

The work of the UK Government on the specialised committee is being led by a brilliant civil servant, Brendan Threlfall, who has worked for Prime Minister David Cameron. Brendan is an experienced official not just in No. 10 but in the Northern Ireland Office. He and his team engaged with the EU, and representatives from the Northern Ireland Executive were with me virtually, as it were, when the Withdrawal Agreement Joint Committee met.

We will do everything we can to update the Commons and allow it to interrogate the approach that we and the EU are taking.

Lord Oates: In your letter to the Committee on 8 April, responding to the letter we sent in relation to the experience of business in the Northern Ireland protocol preparations, you sought to reassure us that Ministers and officials talked to business frequently. Our concern and that of business is that Ministers and officials do not necessarily listen to business. For example, are you aware of the deep concerns in a report published last week by the Freight Transport Association about the lack of preparations, the lack of customs officers and so on? Will you give us an undertaking that you will not only talk with these businesses but listen to their very genuine concerns?

Michael Gove MP: It is a very good point. You are absolutely right. We want to make sure there is an effective feedback loop between ourselves and business. The views of the Freight Transport Association and Road Haulage Association matter hugely to us. As we see more about our preparations for 31 December we will take fully into account the points they make.

Government will not always be on all-fours with every business representative organisation, but the whole point of the conversations that we have is not just to say, “Here are the tablets of stone. Accept these provisions”; it is to engage in Northern Ireland and, more broadly, with businesses to make sure that we can make arrangements work for them and for citizens.

Q12 Lord Kerr of Kinlochard: You say you are engaging with the business community in Northern Ireland. When the Committee went to Northern Ireland it found huge uncertainty about how these arrangements would work out. The business community knew it had a lot of preparation to do but did not know what to prepare for.

First, when will you be able to set out exactly what documentation and checks will be required on goods moving from Northern Ireland to GB?

Secondly, when will you be able to set out exactly what checks, customs duties, VAT and regulatory procedures will be required for goods moving from GB to Northern Ireland that might be, in the words of Article 5, at risk of going on to the Republic?

Thirdly—perhaps most importantly—when will you be able to describe the criteria for deciding which goods will be at risk, given that Article 5 means that EU customs duties will be payable on goods going from GB to Northern Ireland, unless there is no such risk and that has been agreed? The article means that you have to prove the negative, so the criteria are very important. When will Northern Ireland know what they are?

Michael Gove MP: Let me try to deal with all three questions. Before I do so, I want to stress that implementation of the protocol has to be agreed between the EU and UK. While there are clear criteria that the protocol lays out, the protocol needs to be read in the round. Article 5 is just an article; it needs to be read alongside the other articles, and the operation of it, therefore, needs to be agreed.

The other point I would make is that, when it comes to documentation and checks for goods coming from Northern Ireland to Great Britain, the protocol makes it clear that there should be unfettered access for goods coming from Northern Ireland to Great Britain. We take that very seriously and want to make sure that the EU appreciates that as well.

On customs duties for goods going from Great Britain to Northern Ireland, the second and third questions overlap to an extent. One of the points I made briefly in response to Lord Faulkner is that the proportion of goods that go from GB to NI and then into the Republic of Ireland and thus into the single market is very, very small. The phrase “at risk” necessarily connotes a risk-based approach, and that is exactly the approach that we believe is right. We stand by our determined obligation to help the Republic of Ireland and the EU to protect the integrity of the EU’s single market, but the protocol holds in balance with that the requirement to ensure that the UK’s internal market operates effectively as well.

Lord Kerr of Kinlochard: Of course, the risk will increase if this is a back door into the single market, which it will be. It is conceivable that much more trade from the outside world or from GB will come through Northern Ireland into the EU. That is why the EU and UK have agreed on the language “at risk” and the text says that, unless you can establish that there is no risk, EU customs duties will be payable.

Michael Gove MP: Without wanting to get into etymology or language games, risk is by its very nature a calculation rather than a matter of absolute precision. You are right: the UK takes seriously its responsibility to help the EU maintain its single market, but there is a parallel risk. For example, if the free trade agreement we secured with the EU was not to be zero tariff and zero quota, and there were to be some tariffs, particularly perhaps on agri-food, there would be a risk for the UK. You will be aware that, particularly when it comes to beef and cheese, Ireland is a major exporter to the UK. If the Irish agri-food sector knew that beef and cheese could get into the UK market through Stranraer and evade any tariffs that might be imposed on others, that would create a parallel risk. That is why it is important that the protocol is seen as an exercise in balance between protecting the UK internal market and the EU single market, but, above all, putting the interests of the people of Northern Ireland and the maintenance of the peace process first.

Lord Kerr of Kinlochard: With respect, I do not think you have answered any of my questions. All three were about when you would be able to come clean on Northern Ireland.

How confident are you that the arrangements will be up and running by January? We found zero confidence in Belfast. When are you going to bring forward, for example, the customs regulations? They cannot do that in Northern Ireland; customs are not a devolved subject. When are you going to set up training programmes or decide what IT systems will be required? When will you recruit the personnel to carry it out? How are we going to deal with the extra cost of living in Northern Ireland, bearing in mind that discretionary household income in Northern Ireland is half what it is in GB? How are you going to deal with the effect on the cost of living of all this new bureaucracy and control?

Michael Gove MP: The second point of your question was a very powerful one, but let me deal with each. First, the implementation of the protocol is subject to agreement. There are obligations on the EU and UK. We cannot state definitively everything that would require to be done to the letter until agreement has been reached. As I say, it is a document that has specifications in one article and specifications in another that need to be held in balance.

Your second point is a very powerful one. Northern Ireland, in general terms, is the part of the United Kingdom that faces the broadest economic challenges overall. As we know, Derry/Londonderry is the city in the UK with the highest youth unemployment. You quite rightly drew attention to the cost-of-living challenges faced by people in Northern Ireland, and the small margins of many businesses in Northern Ireland. Northern Ireland's business sector has a higher proportion of small and medium-sized enterprises than other parts of the United Kingdom.

For that reason, we want to ensure that the bureaucratic and administrative burdens placed on Northern Ireland businesses are as light as possible. It would be curious if, to safeguard the peace process in Northern Ireland and help the people of Northern Ireland, there was a

requirement to impose upon them economic costs and bureaucracy, as you say, whereby they would be poorer and potentially more prey to division. In that sense the cure would be worse than the underlying condition it professes to address.

It is for that reason that we want to reach an agreement with the EU that goes to the heart of what the protocol is about, which is giving the people of Northern Ireland the bright future they deserve.

Q13 Baroness Hamwee: May I take the conversation on to citizens' rights? In my head, as I am sure in the heads of others, citizens are parts of business as well. A month or so ago we understood that three EU member states—Denmark, Germany and Sweden, I think—still had not announced details of their schemes to safeguard the rights of UK nationals. Are you able to give an update on the position?

Michael Gove MP: At the meeting of the specialised committee I made the point to Vice-President Šefčovič that this was an area of concern to us. I made it clear that I had absolute confidence that all those countries would make sure that the rights of UK citizens were safeguarded. I did not intend to imply any criticism of those countries at all. They are good friends of the UK, but naturally the purpose of the specialised committee is to ensure that I, on behalf of the UK Government and UK citizens, can provide a gentle reminder to the EU of the obligations it has entered into.

Baroness Hamwee: What response did you get?

Michael Gove MP: A generous one. Vice-President Šefčovič said that he and his colleagues would talk to those member states to make sure progress was made. As well as his work, our posts in all EU 27 countries provide information to UK citizens about how their rights can be safeguarded in the future. It will be an issue at the next meeting of the Joint Committee, where I will reflect the concerns of you and other parliamentarians that the progress we all want to see is being made.

Baroness Hamwee: We and the individuals concerned would be glad to be kept updated on that.

What direct engagement do you have with citizens who are affected, or with British in Europe, which has been pretty constructive over the past months and years about the people it represents? I believe it would like to be given some sort of role in connection with the Specialised Committee on Citizens' Rights; so would the 3million. They are obviously expert by experience, as we say. What engagement do the Government have with them?

Michael Gove MP: On a personal note—I hope the Committee does not take this amiss—because my mother and father-in-law live in Turin I have a vested interest in making sure UK citizens' rights are safeguarded and protected. I have to say that the Italian Government have done a very good job overall.

More broadly, you are right: there are groups that exist to speak up for and safeguard the rights of EU citizens in the UK, and vice versa. I will reflect on how we can make sure that our engagement is as close as possible.

As a general rule, the Foreign Office leads on engagement with UK citizens in the EU, and obviously the Home Office makes sure that the EU settlement scheme in the UK works. I know that organisations such as the 3million have engaged with the Home Office. They have not always seen eye to eye, but the EU settlement schemes work well. The number of people who have applied demonstrates that there were more than 3 million EU citizens here at the time of our departure from the EU.

Baroness Hamwee: I do not want to go down the route of a conversation about settled status; I do not think we have time for that, but I would be glad if we could be kept updated about UK citizens in Europe.

Lord Goldsmith asked you about engagement with business; Lord Oates mentioned one particular area of activity. Can you tell us about Government engagement with business and the different sectors of business? I think Lord Goldsmith asked you what your confidence was based on.

Michael Gove MP: Across government we engage with a variety of different business representative organisations. I have the opportunity to meet the CBI fairly regularly. Carolyn Fairbairn is moving on, but she has been a great leader of that organisation. I talk to Adam Marshall of the British Chambers of Commerce. Indeed, there is a new chair there; Baroness McGregor-Smith is providing that organisation with great leadership.

In addition, as a former Environment Secretary, I am fortunate that I have the opportunity, having built up relationships, to stay in touch with those in the food and drink and farming sectors. There is an opportunity for me to hear from the head of the NFU or people from the Food and Drink Federation.

It is also the case that specific government departments engage. We also have a unit set up by HMRC called the Border Delivery Group, led by an excellent civil servant, Emma Churchill. It takes a particular responsibility for talking to organisations such as the Road Haulage Association, Freight Transport Association and those involved in logistics and border delivery. As I indicated earlier, they have their concerns and we are doing our best to address them.

Q14 **Lord Morris of Aberavon:** I have three specific points to raise. First, the lack of some documentary proof by EU citizens in the United Kingdom was a long-running sore in the evidence given to the Justice Committee long before I took the chair. Will you convey to your colleagues that the lack of documentary proof is a real problem, particularly for the most vulnerable? Will you convey to your colleagues that this problem has not

been solved?

Michael Gove MP: Yes, I absolutely will. A same or a similar point was made to me when the Austrian Chancellor, Sebastian Kurz, came. The point he made was that he was grateful for the progress that the EU settlement scheme had made but, on behalf of Austrian citizens in the UK, he felt that additional documentary proof would provide them with peace of mind and ease of travel, more broadly. Dealing with the Covid-19 pandemic has meant that that has become less practically urgent, obviously, but the moral and social case for it remains as strong as ever, and I shall reinforce that argument.

Lord Morris of Aberavon: Thank you very much. My second point is that the deadline for applying for settled status by EU citizens is June 2021. Given the present circumstances, will you consider extending that, if necessary, and show some flexibility?

Michael Gove MP: I think we always want to show flexibility and humanity. There is a balance to be struck. We need to have a deadline to register—otherwise we may find that some people assume that this is a task that can always be put off—and it is in everyone’s interest that as many people register as possible.

The UK Government would always show humanity, so I encourage everyone to apply as early as possible—and, indeed, the overwhelming majority of EU citizens have applied. It provides additional peace of mind, but it is just a matter of justice: someone’s human rights are important, and if an administrative deadline has not been met and there is a good reason why that is so, because of their circumstances, we should show compassion towards them.

Lord Morris of Aberavon: That is most helpful.

The continuity of residence required by evidence may well be a problem, given the present problem we face in the country as a whole. Can some flexibility be shown, if necessary, if they cannot comply because of the present crisis?

Michael Gove MP: That is a very good point, and I shall make it to the Home Secretary. It would be a good thing if such flexibility were available, yes.

Q15 **Lord Ricketts:** On the state of the negotiations and what is actually happening in them, when Michel Barnier gave his press conference on the last round on 24 April, he said that the UK was refusing “to engage seriously on a number of fundamental issues”. He went on to say: “The UK cannot impose this very short negotiating timetable and at the same time not move, not progress, on certain subjects that are important for the EU”. Those are quite serious statements to make about the negotiations. How do you respond to them?

Michael Gove MP: The first thing to say is that Michel Barnier is a very skilled and effective negotiator, and negotiators will, of course, sometimes want to hang tough, relatively speaking.

There are two particular things to say. On the short timetable, of course the opportunity exists to extend it, but the UK Government do not wish to, and, indeed, the timetable was agreed by both sides when the withdrawal agreement and political declaration were agreed. So it is not as though the UK has imposed this timetable unilaterally; it is one that both sides assented to in the first place.

With respect to Michel Barnier's first set of comments about refusing to engage seriously, I think he would admit that the UK is not being frivolous or throwing chaff up to avoid engagement. I think his comments reflect the fact that the EU has a particular view of how the UK should assent to certain principles and agree to certain ways of thinking, and we take a different view. It is a difference of philosophy that is perhaps at its sharpest when it comes to fisheries—and we might go on to that—where EU and UK views diverge. I hope that I am not being unfair to the EU in saying that it wants a continuation of the CFP by other means, and we take the view that we should operate like an independent coastal state, such as Norway or Iceland.

Lord Ricketts: Baroness Brown will come on to fisheries specifically.

In every negotiation I have ever been involved with you have to move off a position in negotiations to get a deal. Michel Barnier has said that we need to move beyond clarification and put more political dynamism into proposals aimed at building a consensus. Are there any areas where the UK has moved from its initial position to seek this consensus that both sides want?

Michael Gove MP: By definition, to say that we had moved in a particular area when the EU has not said where it has moved as well would prejudice the integrity of the negotiations. Let me give you a "for instance". We seek—we have been explicit about it—a zero tariff, zero quota arrangement. If the EU said, "Do you know what, we don't think we can give you that unless you sign up to all our level playing field arrangements", and we said, "Okay, we are not signing up to those LPF arrangements, but we'll have non-regression clauses and agreements so you can be sure about our standards", and if we end up like CETA, with tariffs on a small number of goods, we will regret that and think it a missed opportunity—but, if that is the price that we have to pay, there we go.

Lord Ricketts: You kindly wrote to us today with an update on the situation. You said that the aim was that, by June, if the negotiation was productive, we would expect to see a broad outline of the deal—a very, very short time. From the dynamics that you describe, it does not sound as if the negotiations are productive in a way that I would certainly have expected at this point, given that deadline.

Michael Gove MP: I entirely understand the concern that you and others have. What I would say is that, as you will know far better than me, sometimes as the penny drops, negotiations that have seen deadlock suddenly accelerate—and then sometimes, having seen acceleration, they move backwards. There will be an opportunity for both sides in June to assess progress. One point that I have just made is an example, just a “for instance”, of an area where we would say, “Okay, we’re prepared to modify our ask because of the importance that we maintain of regulatory autonomy”. It may be that the EU does not regard that as worth while or helpful, but it is one of the ways in which we would be prepared to show leg.

Q16 **Lord Wood of Anfield:** Good afternoon, Chancellor—it is very good to see you. I want to carry on with what Lord Ricketts was asking you about, on the dynamics of the negotiations. On 27 April, when you appeared before the Commons Committee on the Future Relationship with the European Union, you said that the EU “seems to treat the UK as though it was an accession country ... not as a sovereign and independent country”. Will you explain what you meant by that, please?

Michael Gove MP: Yes. In essence, the EU is seeking to apply a set of constraints on the UK’s freedom of movement, the so-called level playing field, which it would not ordinarily apply to any sovereign equal. For example, during the TTIP negotiations, the EU did not say to America that it had to accept a level playing field, even though the volume of trade between the EU and US is broadly equivalent to the volume of trade between the UK and EU. Our argument is that there is no intrinsic reason why we should have to accept that level playing field, whereas, if you were an accession country seeking to join the EU and your standards were different, the EU would naturally want to see a path towards convergence of standards along the lines of the level playing field requirements.

Lord Wood of Anfield: Thank you for that. That answer raises for me what some people might regard as a contradiction. On the one hand, you want to argue that there is no “off-the-shelf, one we prepared earlier” example for the relationship with the UK. You say that we are a sovereign nation and we have a special historical relationship, so there has to be a bespoke deal. On the other hand, you seem to think that this new, bespoke, customised deal can be rushed through in a matter of weeks or months. Is there not a contradiction between those two positions?

Michael Gove MP: If there is, it is because I have explained myself poorly. My view is that we should have not a bespoke arrangement but a series of off-the-peg arrangements. The free trade agreement that we want with the EU is very similar to the one that Canada has with the EU, the fisheries agreement is very similar with the arrangement that Norway or Iceland has with the EU, and so on. It is not simply one already existing and instantly replicable arrangement but a series—not many—of already existing replicable arrangements.

Lord Wood of Anfield: Thank you. You have made it clear many times

that you have no desire or see no need to extend negotiations beyond the end of this year. What if the European Union says as a result of the Covid crisis that it would dearly like there to be an extension? Would you say yes or no to that request?

Michael Gove MP: We think it would be in nobody's interests for there to be an extension, so we would obviously look at the case that the EU made, but I cannot imagine us saying anything other than no.

Lord Wood of Anfield: Okay, that is clear. I have just one last question. There again seems to be a contradiction in many people's minds, and in the public's mind, between the response of the Government to the Covid crisis and the response to the Brexit negotiations. They are obviously incredibly different crises with different dimensions, but both have urgency, need for speed and cross-departmental scope. Why does the Covid crisis require an all-consuming effort—we all agree, of course, that it requires an all-consuming effort across government and wider—when the Brexit negotiations, which of course are being squeezed by it to an extent, do not require more time to complete adequately and in our national interest?

Michael Gove MP: That is a very interesting comparison. There is a difference between dealing with a pandemic in real time, when that pandemic is caused by a new virus, and when the science and our understanding of the steps we should take is developing every day, and the conclusion of a series of trade and other agreements that already exist, as it were. Obviously, there are lessons to be learned, and some of the working that this Government and their predecessor under Theresa May developed in bringing departments together for negotiation has helped us in some of the cross-government working that has been a feature of the Government's response to the coronavirus crisis. Of course, although I am not the perfect person to form a judgment about it, there will be lessons to be learned about our response to the coronavirus crisis, just as there will be lessons that historians will draw about the respective approaches of the UK and EU towards negotiations.

Q17 **Baroness Brown of Cambridge:** You have touched on the difficult issue of fisheries a couple of times. In view of the very different approaches and starting points between ourselves and the EU, what is the landing space for an agreement, particularly in the context of initial quota rebalancing and future adjustments to quota shares?

Michael Gove MP: My view is that this is the area where the EU's ask is at its most ambitious. The EU quite rightly says to us that, when we leave the Union, because we will no longer have the same responsibilities, we cannot have the same rights—there needs to be a new relationship. We say, "Right, okay", and that is why we are putting forward a free trade agreement similar to Canada's.

In the same way, when we leave, the EU cannot have the same access to UK waters as it has under the common fisheries policy; the situation will have changed. I have my own policy concerns about the common

fisheries policy, because I do not believe that it has been in either economic or environmental terms the success that it should have been. We want to move away from the existing approach, which is based on patterns of fishing years ago, towards a zonal attachment model, which will be better environmentally but also—and I do not apologise for this—better for UK coastal communities.

Of course, we recognise that we want to negotiate with the EU in a mature way, as Norway does. There are European boats in Norwegian waters and there will be European boats in UK waters, but we should have annual negotiations as an independent coastal state and not a multiannual agreement, which is the CFP-lite.

Baroness Brown of Cambridge: When George Eustice gave his evidence to our EU Energy and Environment Sub-Committee on 4 March, he suggested that there might be some flexibility in that area, and indeed that there might be multiannual fishing agreements. What you are saying there sounds less amenable to compromise on this area. Has our position hardened over the last month and a half or so of negotiations?

Michael Gove MP: No. We have always aimed to be an independent coastal state with annual negotiations, as I say, just as Norway, Iceland and Faroe Islands do. One of the things that we want to do—and I think that this is a point on which George and I enthusiastically agree, as we do on everything actually—is that we would not necessarily want to see a dramatic cliff edge. We want to talk to our EU friends and partners to make sure that, as we take back control, we do so in a way that respects the interests of other countries. We would not want to turn off the light automatically. But it is important as an issue of sovereignty that we as an independent coastal state do not compromise on the principle of annual negotiations.

Baroness Brown of Cambridge: When is the UK going to table a draft agreement on mutual access to fisheries?

Michael Gove MP: We will table quite a lot of documents in the next few weeks, including that.

Baroness Brown of Cambridge: And it will be among those, will it?

Michael Gove MP: Yes, that is the plan.

Baroness Brown of Cambridge: Will that will be over the next few weeks, or all at once?

Michael Gove MP: It has not yet been fully decided. Hitherto our view has been that in most circumstances one would not table a document such as that early on, but we think it would be appropriate to do so in the next few weeks. Whether it is to be all at once or in a more staged process has not yet been decided, but the principle of sharing them has been.

Baroness Brown of Cambridge: Michel Barnier has stated that fisheries

are a fundamental issue for the EU and that the EU will not agree any economic partnership without a long-term solution on fisheries. Notwithstanding the wider importance of fisheries to the UK, given that fisheries make up less than 0.5% of UK GDP, can we really envisage letting the partnership talks fail over this issue?

Michael Gove MP: That is a fair challenge, but the other way round is to look at what proportion of the French, Dutch, Belgian, Danish or Spanish economies is in fisheries as well. If the current size of an industry's contribution towards GDP is the determining factor, the EU itself would take a more constructive and less ambitious approach. What is sauce for the seabass is sauce for the cod as well.

The broader point is that this is a matter of sovereignty and principle. Again, it goes to the heart of these negotiations: why would the EU not want to give UK the same degree of sovereign independent status and respect as it would to the Faroe Islands? That is at the heart of it.

The Chair: I fear your five minutes are up, Baroness Brown. May we move on to Baroness Primarolo?

Q18 **Baroness Primarolo:** At your appearance before the Commons Committee on the Future Relationship with the European Union on 11 March, on the question of internal security you said that we may not necessarily have concluded everything by 31 December. In your view, what can be agreed by 31 December?

Michael Gove MP: I think that everything could be agreed—it all depends on the EU. For example, it would be within the EU's gift to give us access to the Schengen Information System, but it insists that we submit to the European Court of Justice's jurisdiction. Again, that is a red line for us in negotiations, but if the EU were to move we would be delighted. We would argue that it would be in the EU's interests to do so, because we contribute in general terms more to the pool of information that helps keep EU citizens altogether secure than vice versa, as it were.

Baroness Primarolo: That would certainly be the case if, for instance, we took examples of our DNA fingerprint database and some other databases. May I press you on this? Are you of the view that we will have data exchange between the European Union and the UK to ensure the effectiveness of our domestic policing and security by 31 December?

Michael Gove MP: I certainly hope so. Ultimately, it depends on the willingness of the EU to do what I believe is in the interests of both the EU's and the UK's citizens.

Baroness Primarolo: You have repeatedly said, in answer to questions from all of us today—which I understand—that you "would hope so". On something as crucial as our internal security and access to data information, Europol, Eurojust and cybersecurity, to name but a few very important areas, if your statement is that you hope so, what measures will the Government therefore see as necessary and put in place now to mitigate the absence of a full agreement in those areas by 31 December?

Michael Gove MP: We have a number of alternative tools. For example, while undoubtedly the European Criminal Records System is a very useful criminal justice system tool, if you look at the current rate at which criminal trials are happening, you see that it is entirely possible to have criminal records exchanged without access to ECRIS in good time. Ultimately, it is a matter for the EU to decide.

I would stress something else as well. Without going into too much detail, because I cannot, a lot of the sensitive and important exchange of information between the intelligence and security agencies of European nations explicitly takes place outside EU structures.

Baroness Primarolo: I understand that, but let us take another example—money laundering. The UK's anti-money laundering regulations derive from a succession of EU anti-money laundering directives, and rely on information exchanges. If we do not have an agreement, we will need to have other plans in place if we are to be able to continue our fight against organised crime and those who launder the proceeds of crime. What plans do the Government have to continue to be able to do that, to have internal security for our citizens, if we do not have an agreement by 31 December?

Michael Gove MP: In the fight against money laundering, it is not just the EU but other international partners with whom we work. Ultimately—and, again, I come back to this point—we are making provision to ensure that our country can be secure. The security of our citizens and institutions is our first responsibility. If the EU wishes to compromise the security of its own citizens by taking a particular approach, we would regret that, but there are alternative measures that we can deploy to make sure that we keep our citizens safe. Of course, we will do everything we can to share all the information that we can, with not just EU countries but other neighbours whose security co-operation we consider to be important.

Baroness Primarolo: Will you share that with this Committee and Parliament? The safety of our citizens on internal security is crucial and, if there is no agreement, we do not want to see a cliff edge. In the contributions that you have made thus far, you have told us that you “hope so”, and you think it should be possible. We need more reassurance of what will happen if your best endeavours and hopes are dashed and the UK does not have the agreements that it needs in these areas.

Michael Gove MP: Yes, of course, I will be more than happy to. Outside the EU, if we wished to—and I am sure we will—we can make adjustments at the border that can make us more safe and secure. Obviously, that is not, in the world of Covid-19, front of mind, but it is a point that Border Force personnel have made to me and other Ministers. There are flexibilities outside the EU that will provide us with even greater security, if we wish to avail ourselves of that.

The Chair: Thank you very much indeed, Baroness Primarolo. That is a

very important area.

Q19 **Baroness Couttie:** Over recent weeks, we have seen EU countries pretty much set aside level playing field regulations to deal with the crisis, to protect the health of their population and the economic strength of their economies. In the light of that, do you think that the EU negotiating stance on the level playing field is likely to shift, particularly as some of those arrangements are going to last for some while, and certainly over 31 December? If not, is it realistic that the EU would accept a reciprocal non-regression arrangement so we stay where we are but do not move forward any new regulations on the level playing field that the EU may bring out?

Michael Gove MP: I think that everyone recognises that, because of the pandemic, as you quite rightly point out, some EU law is suspended or in abeyance. One of the things that I cannot anticipate is where the balance of argument will lie between nation states that want to maintain the flexibility that they have appreciated over the course of the last few weeks and months and the Commission, which understandably sees itself as the safeguarder of those rules. These are deep waters, as the recent judgment in a different context of the German constitutional court on the operation of the European Central Bank shows us.

Baroness Couttie: But do you think that, if the EU sticks to the arguments that it wants a level playing field, the position put forward by the UK of mutual non-regression is likely to be accepted by the EU?

Michael Gove MP: Yes, I think it should be. As we touched on earlier, the level playing field requirements are not required by the EU of any sovereign equal. Michel Barnier has said that the EU regards the UK as a sovereign if not an economic equal. Therefore, it would be wrong in principle to accept those provisions, and non-regression clauses or arrangements are characteristic of free trade agreements such as CETA, which is close to the model that we would like to see adopted.

Baroness Couttie: More broadly, are there any areas in the negotiations going on regarding goods that could fetter either directly or indirectly the UK Government's ability to have comprehensive free trade agreements with other nations? I think in particular of whether there are areas where the EU sees the UK market as important, such as agriculture, viticulture and the automotive industry, where it may seek to protect that market by fettering our ability to enter into trade agreements with countries that have competitive goods in those sectors.

Michael Gove MP: I can see exactly why the EU might seek to, but we will maintain our judgment that we need autonomy in those areas, and we will make our own regulations in those areas as we consider important. It is a point that I made to this Committee before that it may well be that on agriculture, for example, because of our commitment to animal welfare and other standards, we maintain a regime that the EU might consider to be closer to its own model than, say, America's. But we are not doing that because we necessarily want to win brownie points

from the EU, which may applaud us or may not. We are doing it because we believe it is right for the UK. We will make those decisions on the basis of what we consider to be right economically and in the interests of the other values that citizens of the UK would expect us to uphold.

Baroness Couttie: Do you think it is likely that the EU will come round to that way of thinking and accept that, or do you think that it will push for some levels of restrictions on goods, given that these are important areas for its economy?

Michael Gove MP: It will continue to push for LPF arrangements, but one argument that we will make is that we are seeking an agreement based on precedents. It is unprecedented to demand a level playing field of someone in a free trade agreement. Ultimately, if the EU wants to put restrictions on the UK market ahead of the access of its exporters to our market, that will be a sad thing, but sadder for their exporters.

Q20 **Lord Sharkey:** Good afternoon, Chancellor. I ask about equivalence in financial services. The other Chancellor told the Committee in February that both sides should be able to conclude the equivalence assessments on financial services by the end of June. Will that actually happen and, if it does not, what are the implications?

Michael Gove MP: It should do and, essentially, we see no reason why the EU could not conclude that assessment and deem us equivalent by the end of June. It should be a relatively straightforward process.

Lord Sharkey: But are there any signs that the EU is, for example, attempting to trade off agreeing equivalence with some other things, such as fisheries?

Michael Gove MP: Not to my knowledge, no. It may be that the EU in another stage of negotiation would consider playing fisheries off against other aspects of services access. However, although nothing is ever straightforward, equivalence is a relatively straightforward process of just asking whether the UK meets certain standards.

Lord Sharkey: But we have seen in practice the EU withdraw equivalence to third countries with only 30 days' notice. Do you agree that that is far too short? Are we aiming for two to three years' notice, considered normal by the PRA?

Michael Gove MP: We would like it to be the case that the EU would not promiscuously and whimsically withdraw equivalence, given that the UK has some of the highest, if not the highest, standards of financial services regulation.

Lord Sharkey: Can I go to the second part of my first question? What are the implications if the EU does not grant equivalence by the end of the year?

Michael Gove MP: It would be very bad for the EU, because it would lose access to one of the deepest and most liquid capital markets in the

world. As a result of that, I would think that the pricing of EU equities would be less effectively done and the capacity of EU businesses to attract the finance that they would wish would be impeded. So it would be one area where it would be an own goal for the EU to do this.

Lord Sharkey: But the effect on our own financial services would be what?

Michael Gove MP: It would be suboptimal, but I think that the EU would face a bigger cost than we would. One thing about our financial services sector is that it is, as I say, not only one of the best and most effectively regulated in the world but one of the most efficient. There are three or four very big financial centres in the world, and London is one, for a variety of reasons—the quality of individuals who work there and the quality of people in other professional services who support it, such as our legal system. It was striking that people argued when we left the EU that we would see a large haemorrhage of jobs in financial services to EU nations. We have seen some people move to different EU cities, but no specific, single rival centre of financial services has been established. Some have gone to Dublin, one or two to Paris, some to Amsterdam and some to Frankfurt, but in small numbers and not concentrated. So I think it would be an own goal for the EU, but, again, obviously it is a matter for the EU.

A particular thing about equivalence—and here I have confidence in EU institutions—is that it is a process of maintaining whether or not we comply with certain criteria. It is a rules-based rather than a discretion-based process, primarily.

The Chair: I should say, Chancellor, that we have two colleagues still to go. I realise that we have gone on a little bit, and it is now 3.57 pm, and I have three colleagues who would like to come in on the repechage, as it were, for three-minute slots. Would that be okay with your diary? It would mean finishing about 4.20 pm.

Michael Gove MP: Yes, absolutely. At 4.30 pm I have a meeting with my Labour shadow, Rachel Reeves, so I shall try to keep it snappy—but until 4.20 pm is absolutely fine, of course.

Q21 **Lord Cavendish of Furness:** Good afternoon, Secretary of State, it is good to have you with us. This question arises from Lord Sharkey's question. What processes are necessary to manage any future divergence in regulation of financial affairs?

Michael Gove MP: As a sovereign nation we will have the chance to put in place exactly the arrangements that we consider to be appropriate. I cannot conceive of any UK Government seeking to do so, but if we were wilfully to pursue a course of lax and ineffective regulation, the EU might in those circumstances withdraw equivalence, but we would also be shooting ourselves in the foot by undermining the attractiveness of the UK as a centre for financial services.

Lord Cavendish of Furness: How has the EU responded to the UK's

demands for a structured process for the withdrawal of equivalence decisions, including what is termed appropriate consultation?

Michael Gove MP: This is one area, as I said earlier, where the EU, because it is a rules-based organisation, at its best has been relatively constructive. I can come back to the Committee with greater detail after having discussed in detail with David Frost the precise nature of that aspect of the negotiations so far. Not having been in the room for every aspect of the negotiation, I cannot perhaps give the same degree of precision in this area as I might in others.

Lord Cavendish of Furness: Finally, again following on from Lord Sharkey's question, some witnesses suggested to our Financial Affairs Sub-Committee that the fleet of foot City of London could find ways of mitigating the effect of equivalence withdrawal. Do you share that confidence?

Michael Gove MP: Yes, I would rather that we secured equivalence and, for the reasons that we have discussed, it should be a relatively straightforward process. I shall use an analogy, although some may think it is inapt. Before the UK took the decision not to enter the single currency, many thoughtful people thought that financial services would suffer by being outside the eurozone; quite the opposite was the case. I am not arguing that we should seek to avoid securing equivalence, but I am saying that the City of London has a unique alchemy, which depends on the skill of the individuals there, the depth of the capital market and the support of the other business services that work alongside the financial services.

Q22 **Baroness Verma:** Good afternoon, Secretary of State. My questions are very short. Following an inquiry by the internal market in its former make-up, a number of witnesses suggested that a common rulebook could be made on state aid. Is there any scope for the UK and EU agreeing a common set of rules on the co-operation of respective state aid regimes?

Michael Gove MP: I think that the chance would be small. Obviously, we wanted to have a robust state aid regime that is WTO compliant, and we do not intend to have an approach towards state aid that anyone would recognise as anything other than pro free trade and pro free market, but we could not accept EU supervision of our state aid regime, so I think it would be unlikely that we would agree a common rule.

Baroness Verma: Therefore, Secretary of State, what is the status of the Government's work to develop our own domestic policy on subsidy control?

Michael Gove MP: That work is being led by the Treasury and the Business Department. As I say, we want it to be one that the WTO and others would recognise as fair, robust and principles based. As the Covid-19 crisis has underlined, it always has to be within the remit of nation states to be able to intervene at certain points. I know that there are

some pure free market economists who say that there are no such thing as strategic industries or strategic sectors in any economy. The Prime Minister takes a different view and, as it happens, so do I.

Baroness Verma: Given that these proposals are being prepared, do you know when we are likely to see them for this new regime?

Michael Gove MP: Yes, I think we can share them with Parliament and others in the next few months.

Baroness Verma: Finally, what impact will the state aid provisions in the protocol for Northern Ireland have on the UK state aid regime?

Michael Gove MP: It should not have, because the key thing is that those provisions are to apply specifically in Northern Ireland. There is one particular area that is to my mind important, which is that we have agreed—and I understand completely why—that the amount of state aid that we give to agriculture in Northern Ireland should not be dramatically at variance with the level of state aid available through the common agriculture policy. While theoretically that is an infringement of our sovereignty, I can completely understand why it has been done, and it seems to me an entirely fair approach.

Q23 **Lord Kerr of Kinlochard:** To go back to the boggy thickets of the Irish protocol, I have three quick questions. First, it is obviously very complicated, and would you be happy for Mr Threlfall, who leads in the specialised committee, to brief us?

Secondly, you spoke about unfettered access for goods coming from Northern Ireland to Great Britain. The protocol does indeed speak about unfettered access, in Article 6, but it also makes it clear that exit declaration documents will have to be filled in for goods travelling from Northern Ireland to Great Britain. Do you accept that?

Thirdly, what is all this row about an office in Belfast? The Americans, Chinese and New Zealanders have offices, so why should not the European Union have an office in Belfast? Article 12 lays on us the duty of facilitating it in the exercise of its right to be present when we are implementing on its behalf its laws in respect of Northern Ireland. Will it not be more difficult for it to do that, and will it not be, politically and practically, more awkward, if it has to do it from bases in the Republic?

Michael Gove MP: Let me try to answer all three. On the first, I shall consider all requests for briefings from officials in the round. I knew in advance of this Committee meeting that there might be a request for Sir Tim Barrow to brief. I will take away the request for Mr Threlfall to brief the Committee. I would not want to speak for him, and I would need to check with the Cabinet Office's propriety and ethics team, but there is no impediment in my heart to such a briefing taking place.

On the question of exit declarations, to my mind unfettered access is the single most important thing. One question that I ask is whether we can ensure that we are safeguarding the EU's internal market as well as the

EU's single market. That is the approach that we will take, so we will see how that develops in the course of the conversations that we have.

On the office in Belfast, again, the EU is not maintaining a presence in Edinburgh or Cardiff. We are drawing a distinction here. Does the EU want to establish a diplomatic mission in Northern Ireland? If so, why not establish one in Edinburgh or Cardiff? The key thing also is that the Belfast agreement is at the core of why the protocol is necessary, and the presence of an EU mission of the kind outlined has certainly excited a degree of concern among the majority community in Northern Ireland. For that reason, we have been reticent about accepting the logic that we need to have a mission of this kind.

Q24 Lord Oates: May I return to the issue of flexibility over the exit date from transition? Many of us put aside deeply held views to grant the Government the extraordinary powers necessary to tackle the current emergency over Covid, and we did so because we thought that it was in the national interest. Do you understand how disappointed we are that the Government alone seem determined to cleave to their ideological position on the date of the end of transition? With the economic crisis that we face, with millions possibly facing the prospect of being out of work and huge burdens on business already, is it not really the height of irresponsibility to insist on no flexibility and not even take the power to have that flexibility? Will the Government really reconsider this and listen to business and many people who are concerned about the impacts on the economy of this further shock?

Michael Gove MP: On the first part of your question, I completely understand. Liberals and civil libertarians in all parties have had to swallow hard at some of the restrictions required to deal with the public health emergency. I do not think that anyone for a second should fail to recognise that this is a big ask of people who come from that political tradition, and it is very much appreciated by the Government. These are not steps into which we lightly entered, nor was consent lightly given.

On the question of the extension, it is not a matter of ideology. The law states, and the agreement that the EU reached with us was that it would be possible to get an agreement in this time. As a general rule, we believe that deadlines, particularly in negotiations, concentrate minds; there is a risk that, if you move deadlines in this way, you simply perpetuate the negotiation. People go around the same course again and again.

There is also the point, as Lord Lamont drew out in an earlier set of questions, that maintaining the transition period would mean that the UK would be paying money into the EU—a sum that we can guess at but which is still as yet undetermined.

As the Covid-19 pandemic comes increasingly under control, as we all hope, we expect the EU to want to see a return to the operation of its rules and laws, and the UK would be subject to them and potentially subject to them in a way that would not be in our interest in a range of

areas. So the judgment that we make is one not of ideology but one of practicality, but it is one that I accept that people of principle from different political traditions will disagree with.

Q25 **Lord Ricketts:** I want to come back briefly to police and judicial co-operation, which, as Baroness Primarolo said, is fundamental to the safety and security of people. It has not had as much airtime in public, probably, as the trade issues. Obviously, we would become a third country at the end of the transition period. Among all the different EU instruments for co-operation between police and justice, there are different associate member arrangements for different things. No third country is an associate for all of them, and no two third countries have the same set of associate memberships; and, of course, no third country has the same scale of movement of people and, therefore, the need for caseload of crime investigation and counterterrorism as between the UK and the EU. So this is not an area where we can look for an off-the-peg solution from the EU; it has to be a bespoke, negotiated solution. Does that not put further pressure on us, in the very short timescale now available?

Michael Gove MP: It is certainly the case—and it is a very fair point—that the area least amenable to an instant off-the-peg arrangement is security, but I believe that on both sides there is a willingness to recognise the shared interests that we all have in maximising effective security co-operation. You are absolutely right that it is the area that requires the greatest degree of give and take on both sides, but I believe that it is in the interests of both to do that. It is a very fair challenge.

The Chair: Thank you very much, Chancellor. You have been most generous with your time, and we are very grateful for that. You are one of the busiest men in Whitehall, with critical roles in the Covid crisis and the Brexit negotiations, so we are doubly grateful. Thank you, too, for the crispness in your answers today, which has enabled us to get through quite a lot of territory. We wish you well in what is going on and look forward very much to seeing you the next time we are together.

Michael Gove MP: Thank you very much. I thank all members of the Committee. I am in your debt.