



HOUSE OF LORDS

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Inquiry on

VISIONS OF EU REFORM

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3 pm

Witness: Mr Jonathan Faull

Members present

Lord Boswell of Aynho (Chairman)
Lord Davies of Stamford
Lord Green of Hurstpierpoint
Lord Jay of Ewelme
Lord Liddle
Baroness Scott of Needham Market

Examination of Witness

Mr Jonathan Faull, Head of the Task Force for Strategic Issues related to the UK Referendum

Q106 The Chairman: Jonathan Faull, you are well known to many of us individually, particularly those of us who have been working in and about Brussels. You are well known and respected also by the Members of this Committee who do not have that experience, on the back of your deep and encyclopaedic knowledge of the workings of the European Union from an official viewpoint over many years and your distinguished career in it, proximately because of your leadership of the task force for strategic issues related to our referendum. As the nation has heard from the Prime Minister, we are spending all hours of the day and night on this matter at the moment. This inquiry is looking at visions of Europe. In due course we need to report what we have discerned about how that process is being carried through to its completion, but we also felt that we wanted to get some idea of the extent to which the British Government's negotiating objectives coincide with those of other member states, the European institutions and, indeed, other stakeholders such as the European Parliament.

You have very kindly consented to give us evidence on the record, so this session is on the public record. We will take a text, which will be helpful to us. If we may, we will start, unless you want to share anything with us. We will start with what you might call an overview of the process. I will ask the first question. Do you feel that the United Kingdom Government have presented a clear and coherent vision for reform? We have heard a lot about the four baskets, of course, but do they have a common theme and purpose, which you can identify and to which the European institutions can respond?

Jonathan Faull: Thank you very much indeed, and thank you for this opportunity. Thank you for travelling to Brussels. Perhaps I could preface my remarks by pointing out, as I must, that I am a civil servant and the views I shall express are not necessarily those of the Commission as an institution; let alone—and I shall come to this in detail—am I in any way an authorised

interpreter of what the British Government may or may not want. You are closer to them than I am. But I shall of course endeavour to answer your questions as frankly as possible.

To answer your question—have the Government presented a clear and coherent position for EU reform in the four baskets?—yes, we take it as that. The Prime Minister's letter to European Council President Tusk and various other statements that he and other senior Ministers have made have presented the issues as ones that they judge to be of great importance to the British people and relevant to the referendum question, and we seek to respond to those concerns on that basis. There are four categories—four baskets—set out, which have some links between them. We have worked on them, as have other institutions and member states across Europe, on that basis.

Q107 The Chairman: Thank you for that. Two things that the Prime Minister has mentioned a number of times are flexibility and diversity; perhaps adding to them, in the context of recent sad events, security and a more geopolitical and geostrategic approach. Do you feel that these amount to a persuasive and durable vision, at least of the British position vis-à-vis the EU, and possibly the EU vis-à-vis the British requests in these concepts? Are we having a serious discussion about issues that we can identify as important and to which you can respond, I hope, in a positive way?

Jonathan Faull: Yes, I think that is the case. The European Union has already shown in the past few years that it is capable of recognising the diverse situations of its now 28 member states and that the mechanisms and rules of the European Union are flexible enough to cope with that state of affairs. We have member states in the euro and not in the euro, in Schengen and not in Schengen. We have many challenges facing groups of member states and many challenges facing all of them. I am not suggesting that all of those challenges have been met satisfactorily, because they are still very much with us, but I think that the European Union has shown—for example, in the development of the banking union, in its reactions to the financial and economic crisis, and the issues of governance of the euro area—that it is able to respond with the necessary flexibility in recognising the diverse situations of its 28 member states, which, let us face it, are far more different from each other than the original six founding countries were in the very different world of the 1950s. Without in any way suggesting that we have found the perfect response to every issue facing us, because there is still a great deal of work being done and to be done, I think the European Union's mechanisms have shown the necessary flexibility and recognition of diversity and have shown the potential—this is where the British requests become relevant—for responding to those concerns as well.

Q108 The Chairman: One final question from me, at least at this stage, is whether, in your judgment, agreement on the Government's reform proposals would constitute a fundamental—and, I think, by inference a positive—change in the EU's relationship with the UK, and the extent to which the issues in the baskets matter, or the extent to which the symbolism of agreement on the issues in the baskets matters even more than the issues themselves.

Jonathan Faull: I am not sure that that is a matter for us to judge. We have been asked to respond to a set of issues set out by the British Government and are seeking to do that. How they are presented to the British people is a matter for the British Government, and how they are received by the British people is a matter for the British people in the referendum. I would not want to hazard a judgment on what is fundamental and what is not. That is for others to make.

Q109 Baroness Scott of Needham Market: I want to continue this line of discussion and think about the ever-closer union issue for a moment. As you have described today and on other occasions, there is quite an array of opt-outs and protocols and so on but this clearly is not sufficient for the British Prime Minister, who wants something more formal. Is what he is seeking simply an opt-out for the UK or does he want something that covers all the member states, in which the present flexibilities are formalised in the treaty? What are your thoughts on the mechanics of dealing with the ever-closer union question?

Jonathan Faull: As you know, there will be a meeting of the European Council in a few weeks' time, on 18 and 19 February, where this matter will be discussed, and I cannot prejudge those discussions. The notion of ever closer union is indeed one of the issues raised by the Prime Minister in his letter and other statements. That notion is, frankly, understood differently in different countries in the European Union. It has been present, with amendments over the years, in the European treaties for a very long time and has been the subject of interpretative statements, the most recent being by the European Council at the request of the British Prime Minister in June 2014, which pointed out that this is ever closer union between peoples—it is not an integration charter between states or Governments—and the words are accompanied by a statement about subsidiarity decisions being taken at the closest possible level to the citizen. It has proved to be fully consistent with different member states doing different things within the European Union framework. I mentioned some of them earlier. Obviously, the United Kingdom is not in the euro area or the Schengen area; it has opt-outs on justice and home affairs; it has a special budgetary rebate arrangement. All those things

and others involving other member states have coexisted happily—as I said in Dublin a few weeks ago, and you quote this in your question—with the notion of ever closer union.

A starting point is to recall that reality, which may assuage some of the concerns which suggest that it is what it is not, for example the suggestion that it is a charter for ever more integration of state or governmental activities between EU countries. It is not that. It is ever closer union with a small “u”, by the way, and even the word “union”, I understand, is not translated in all languages as “union”, but I will not pursue that today. It is about peoples, not about Governments and states, and it has proved flexible and adaptable to the diversity that we talked about earlier. We will see in the European Council in a few weeks’ time what the leaders make of that state of affairs in responding to Mr Cameron’s expressed concerns. It is going to be an important discussion among Prime Ministers and Presidents, and we start—as we should, I think—from the reality of the current situation as well as from the actual wording.

Baroness Scott of Needham Market: The reality as you have just described it has not changed since the June 2014 Council meeting. Prime Minister Cameron included this in his baskets in the full light of that. One would have to assume that that has not been enough for him or he would not have seen fit to include it. Can you envisage what more he could be given? Can you envisage, and what would be the impact of, an opt-out to whatever ever closer union might mean for one country? Can you envisage a situation in which it is simply removed from the treaties as part of the next treaty change? What more could Cameron be given to persuade him not to be so concerned about ever closer union?

Jonathan Faull: I am afraid that you may have to ask him that. It is understood that this is a matter of concern. He has said so. The Chancellor of the Exchequer said so in a speech in Berlin, explaining how the notion is understood differently in the United Kingdom from how it is in other member states, or some other member states at least, and that has to be grappled with. Discussions are going on about a statement of whatever ever closer union means in the 21st century for all member states, given the factual situation that I described. That will be a matter for discussion in the European Council and I am afraid we will have to wait and see what comes out of that.

Q110 Lord Liddle: I would like to pursue the significance of this change, looking at it from the Brussels end of whatever is agreed on ever closer union. When I became an interested pro-European, the metaphor that was very common in the Brussels world, if I remember rightly, was of a convoy that may be moving at different speeds but would ultimately get to the same destination at some dreamy distant point in the future, but none the less everyone was

working towards going in the same direction. It seems to me that what Mr Cameron wants through his change in ever closer union is something that he can point to which says, “No, we are not going to the same destination. We are all going to different destinations, and that is what is accepted in Brussels”. Do you think that that is how this will be interpreted here, as opposed to what he will say in London?

Jonathan Faull: You are asking me to speculate about different interpretations of something that has not happened yet. We will have to look at the precise wording. I think it will remain the case, as it is today, that member states have—and the United Kingdom has more than others—a variety of different commitments to European rules and mechanisms. It will also remain the case that all member states of the European Union face a number of common challenges which call for co-operation between them and, where that involves rule-making, the mechanisms of the European Union’s legislative and other processes for that purpose. It is an expression that has been understood in different ways; it is not an expression of such legal importance that it is used as a basis for legislative activity and has therefore been the subject of dozens of court judgments interpreting and refining it. It is not that. It is perhaps not surprising, particularly if you add the translation difficulty to which I referred, that at different times and in different places it takes on different meanings.

I like to say that the best example of ever closer union that I have seen recently was English football fans singing “La Marseillaise” at Wembley as a reaction of neighbours sharing values in the face of a massive, tragic challenge to those values. That is our general understanding of what the notion means. It is not something that we use as a basis for legislation, whether integrating further or not. But we have to recognise—the Prime Minister and the Chancellor have made this point—that it can be understood differently and is understood differently in different places. These things are important in politics—I think we understand that—so the Prime Minister’s counterparts in the European Council may seek to provide him with some additional satisfactory reassurances that this does not mean what he may fear it is understood to mean.

The Chairman: The word “ratchet” comes to mind as a word that is often used in Britain as part of the underlying political fear. I see you nodding at that—is that reasonable?

Jonathan Faull: I am aware of that notion and that fear. I do not think that the notion of ever closer union among the peoples of Europe is necessarily the cause of that concern. But if I am told that it is, then there are ways of addressing it, as the European Council already did in June 2014. As Lady Scott points out, obviously that is deemed to be insufficient because the

Prime Minister would not still be raising it. He is, so we need to give some more attention to that.

Q111 Lord Davies of Stamford: Jonathan, we all appreciate this opportunity, but we realise that as a civil servant in a public session you have to be cautious about what you say. I will therefore ask a fairly technical question but a very important one, I think, on which you personally and your legal services here at the Commission will be asked to present a definitive view, I am sure. Which of the Prime Minister's requirements or demands, as you understand them, would require a change in the treaty? How would you make a promise of a change in the treaty effective in the way that the Prime Minister says he wishes to have, so that it is reliable and irreversible and so forth, when all changes in the treaty are subject to a ratification process? You cannot commit parliaments in advance, and I think six countries in the Union have ratification by a referendum and you certainly cannot commit electorates in advance.

Jonathan Faull: I am not trying to avoid the question, but the form depends on the substance. Whether or not a treaty change is needed for a particular response to one of the British concerns depends on what that response is. Certain responses can be given within the framework of today's treaties, either with or without legislative change. There may be some responses which cannot be given, on the basis of legal analysis, under today's treaties and could be given only by changing the treaty. So everything will depend on the substance of the responses that are agreed by all 28 in the European Council; that is, satisfactory both for the 27 other countries and for the United Kingdom itself. It will not be until then that the judgment can be made about how to implement that agreement. It may be that no treaty change is required. You quite rightly point out that a treaty change is not an easy thing to bring about. It requires unanimity among all 28 member states and ratification, therefore, in all 28 member states, some by parliamentary ratification and some perhaps by referendum. That will certainly take some time and the outcome will depend on the parliaments and, where there are referendums, the peoples of the countries concerned.

Lord Davies of Stamford: If I may say so, Jonathan, you have repeated very elegantly rather than answered my question. I will put it to you more specifically. If you wanted to get rid of the reference in the treaty to ever closer union or you wanted to introduce the notion of discrimination in the labour market, those two things unambiguously would require changes in the treaty, surely—is that not the case?

Jonathan Faull: If you want to remove words from the treaty that are there today rather than interpret them, only a treaty can remove words from the treaty, of course. If you wish to

provide for something that today would be unlawful under the treaty, again only a change of the law—the treaty, the primary law—would achieve that objective. I am not saying that that is necessarily needed to respond to the Prime Minister’s concerns.

Lord Green of Hurstpierpoint: Just to follow up, assuming that some part of the response to the Prime Minister’s four baskets did require change in primary legislation, and given the difficulties in securing treaty change that you and Lord Davies have outlined, what is the best possible result that the Prime Minister could expect to be able to unveil to the British people on this point about treaty change?

Jonathan Faull: The Prime Minister has said that he wants change that is legally binding and irreversible. What is legally binding and irreversible is an international law agreement, a change in secondary legislation and a treaty change. What the Prime Minister will accept because he believes that it meets his requirements is a question for him, obviously. There will be consideration, no doubt, of the nature of the change and the timeframe in which change can be implemented and delivered. Those are all issues that would have to be considered by all the leaders in the European Council.

Q112 The Chairman: To close this bit on the process itself rather than the issues raised by the process, I have two questions. First, it is evident from the context of your responses and other inquiries we have made that there is a very heavy legal input into this process, in that you need to get texts and to flesh out what may be high-level political agreement with something that will stand up, particularly in the context of the existing treaties. I wonder if you can give us your take on these matters? Is it your impression that the detailed technical discussions—the Sherpa discussions, if you like—have kept pace with the debate at ministerial level and the high-level aspirations of our Prime Minister and other heads of government? In a way, my second question bears on that as well. The Prime Minister, David Cameron, has a number of times referred to the protocols and other instruments agreed for Denmark and Ireland in the past. I think I am right in saying that there is a distinction because those were ex ante the operation of the new treaties. Anything agreed now would be ex post the existence of the Lisbon treaty—the TFEU. Are those helpful precedents? First, is there sufficient legal and administrative firepower to deliver an agreement which may or may not be reached in February? Secondly, if it were to be, would it be possible, at least, to draw on the analogies of the earlier protocols and opt-outs as a vehicle for delivering these concerns?

Jonathan Faull: Thank you. On the first question—they are related—I think that the answer is yes. There have been many long, technical discussions between senior officials, including lawyers, on all sides, going back to July, involving ourselves in the Commission, our

colleagues in the Council and the British Civil Service. There has been some involvement of the other member states through discussions among the Prime Minister's Sherpas, European advisers, Cabinet Office officials and their counterparts across Europe, and the ambassadors—the Permanent Representative Ivan Rogers and his colleagues here in Brussels. That has been going on throughout the process in parallel with the higher, political-level discussions, both formal and informal. As you know, the Prime Minister and other senior Ministers have been in fairly regular contact with their counterparts in other European countries. There have been summits at which all these leaders have come together. The two political and technical sets of discussions have been going on at the same time, with reporting mechanisms between them in the normal way, and a great deal of work has been done on exploring the technical and legal aspects of all of this in addition to the political input by the most senior politicians in our countries.

In response to your second question, the precedents of Denmark and Ireland are, as you rightly say, not direct precedents in that we are not in the same process of treaty ratification as we were then. It is a different context. But by analogy—to use your word—there are mechanisms there that have indeed been the subject of discussion, as one would expect. This is a technique which can be used in certain circumstances to provide for a binding set of commitments in advance of fully fledged treaty change. If that path proves to be one down which it is necessary to go, it is indeed something that we will be able to draw on.

Q113 The Chairman: Thank you. I think we can move on. We have rehearsed one basket—the question of ever closer union—but in terms of the constitution, perhaps it would be worth throwing in a request for you to give us a take on Her Majesty's Government's desire to introduce “a new arrangement where groups of national parliaments, acting together, can stop unwanted legislative proposals”. What is the view of your task force and the Commission on whether that would help to meet some of the democratic deficit and possibly whether it is sufficient to show that there may be a live democratic interest? As you will know, our Committee has taken a certain interest in green cards and so forth, rather operating beyond the Government's position. How do you analyse that?

Jonathan Faull: As I think you will be aware, we have over the years instituted mechanisms designed to involve national parliaments more in the European Union decision-making process, while of course respecting the prerogatives of the EU legislators—the European Parliament and the Council of Ministers, to use the order in the treaty. Some progress has been made. There are concerns about some of the details of the current arrangements—deadlines and so on. There are ideas—your own green card idea is one that is taken seriously.

The Chairman: Thank you.

Jonathan Faull: Our understanding of the British Government’s position is that the desire is to improve the current process, and you read out the language that is used. That is very much a matter for discussion in the European Council in the middle of February. There are ways of improving the current arrangements so that national parliaments feel more closely involved and, through them, national electorates feel more closely involved in the EU decision-making process. Nobody wants “unwanted legislative proposals”. Of course, the Commission does not believe that it makes unwanted legislative proposals.

The Chairman: It makes fewer now, as a matter of record.

Jonathan Faull: Thank you. But should proposals not be perfect when they leave this building—we have to contemplate that possibility at least—we would expect the EU’s legislators to respond in the normal way. As we all know, the Commission’s proposal never emerges intact from the real legislative process from our democratic elected European Parliament and our Council of Ministers, but a way of making national parliaments more involved in that process certainly encounters no objection of principle. It may be a matter of organising the mechanism in a better way.

Q114 Lord Jay of Ewelme: Turning to another of the baskets that the Prime Minister has, and I do not know whether you set out or fill or whatever you do with a basket—

Jonathan Faull: Put eggs in it.

Lord Jay of Ewelme: I think Churchill once said, when asked whether he wanted to let all the members of his Cabinet go up in the Comet for the first time, “It would be a mistake to put all your baskets in one egg”.

The Prime Minister identified immigration—he used the word “immigration” rather than “migration”—as one of the four key challenges facing the European Union, with the specific objective of enabling the UK to control migration from the European Union. My first question is: to what extent is migration within the European Union—free movement, in other words—a challenge for the EU as a whole or is it a specific and rather unique British preoccupation?

Jonathan Faull: Free movement within the European Union is not uncontroversial in the politics of other member states. That is a matter of fact. The free movement of people within the European Union is a fundamental freedom of the European Union single market. Can it cause difficulties for countries from which people move and/or countries into which people move? Clearly. The politics of member states show that that can be the case. It is not an unconditional right. From the very beginning, the European treaties provide for the possibility for member states to take certain measures in respect of all the fundamental freedoms, by the

way, in the name of public policy, public order, public security and so on. All the member states were given the possibility of imposing up to seven years of delay of free movement rights following the enlargements of the past decade. Many member states used the full seven-year possibility. The United Kingdom chose not to in all cases, but in itself an adaptation period was considered appropriate. We see free movement as a right and an opportunity, not as a problem, but one has to recognise that it is not an unconditional right. The very existence of the Prime Minister's basket on this issue shows that in the United Kingdom it is seen as an issue requiring attention. It would be wrong to suggest that the United Kingdom was completely alone in having that view represented in its political discussions.

Lord Jay of Ewelme: Do you think that the fact that the question of migration has become as difficult an issue for the European Union as it has recently, as shown, for example, by what is happening in Germany, will or could lead people to look at the whole issue in a slightly different—I will not say sympathetic—way that could open up the question to different sorts of solutions from those that are being examined at the moment?

Jonathan Faull: I think, generally speaking, that the view in other European countries is a clearer one of distinction between immigration from outside the European Union and free movement of European citizens within the single market. Just as we distinguish between the flow of goods, capital and services among ourselves within the European Union single market and those which go to or come from the rest of the world, the distinction is clearly held in other European countries, and is certainly held by the European institutions, that there is a wholly different approach to be taken in respect of immigration *stricto sensu* from outside Europe and free movement within the single market.

Q115 Lord Jay of Ewelme: Focusing down a little more on the Prime Minister's specific proposals, as you know, he is seeking to exclude EU migrants from accessing in-work benefits such as tax credits during their first four years in the UK. In the light of the discussion at the last European Council and the discussions you have been having, what would you judge to be the prospects for agreement on that proposal? Have you seen other ways in which the Prime Minister's objective might be achieved if that is too difficult, for the reasons you have just explained?

Jonathan Faull: As the Prime Minister himself has said, there may be other ways of meeting his objective. I do not think that I am betraying any secrets by telling you that there was considerable opposition to what others see as four years of discrimination between people doing the same job, paying the same taxes, on the grounds of their nationality. There was considerable opposition to that notion but there was considerable interest in devising other

solutions that may meet the Prime Minister's objectives. You will have to ask the Prime Minister what his objectives are, but I understand them as being to reduce what may be seen as artificial incentives to free movement other than the normal, natural free movement you would expect in a single market.

Q116 Lord Liddle: Moving on to the euro-in/euro-out question, and discrimination there, it is clear that the Chancellor of the Exchequer regards this as one of the most important aspects of the British renegotiation. Of course, the problem is that there are no concrete proposals for eurozone integration at the moment. So the question is: what can be done in practice to assure against discrimination when one is trying to anticipate a bit of an unknown, really?

Jonathan Faull: We know something about what has happened in the past few years. We have created a banking union, which is a single supervisory and resolution system that is open to all member states of the European Union to join but which is joined automatically by the euro-area countries. Today it is coterminous with the euro area. No non-euro country has joined yet. We also know that there are new ideas—the Commission was of course party to the five Presidents' report on future governance of the eurozone. It is very much a matter under discussion, but it is moving. How fast or slowly it is moving is a matter of judgment, but it is certainly very much on the agenda.

Meanwhile, the United Kingdom has both an opt-out from joining the euro and a Government stating that they do not intend to join the euro. As a matter of fact, within the European Union single market there are member states with different currencies and we have to organise the single market taking account of that reality. I think that the banking union experience shows that that is possible and gives us certain principles, precedents or mechanisms to which further consideration can be given in the identification of wider principles, such as—as you point out, Lord Liddle—a principle that there should be no discrimination on the grounds of currency or location of activities within the single market. So we have something to work on.

It is not an easy issue but, again, this is grounded in the reality of life in the European Union. We have a single market. We have 19 countries now sharing the euro and developing mechanisms between them for governing the euro. We have the European Central Bank. We have the banking union and the bodies it has created. We have two member states with opt-outs—Denmark and the United Kingdom—and we have other member states not yet in the euro. We have to make all that work. The United Kingdom has the City of London within its territory. It has a very important interest in the financial sector and has raised a number of questions in the relevant basket, and they are being addressed.

Lord Liddle: So the answer is that you think there is no reason in principle why these concerns cannot be addressed in the renegotiation?

Jonathan Faull: I see no reason in principle why they cannot be addressed.

The Chairman: That is helpful. Let us move on to the final basket. Lord Green.

Q117 Lord Green of Hurstpierpoint: Thank you. On competitiveness, the Prime Minister has argued that all the various different proposals, promises and agreements that have to do with the single market and trade, cutting regulation and so forth, should be brought into, “one clear commitment that writes competitiveness into the DNA of the whole European Union”. Do you have any sense of what that might mean in practice, other than some protocol that simply uses those same words or something rather like them? What would be different from what is already under way in the new mandate of the Commission and the expressed objectives of the Commission itself, which often sound like that?

Jonathan Faull: Thank you for recognising that. We believe that this Commission, led by Jean-Claude Juncker, has set out and is now implementing a set of policies which go very much along those lines. We want to make the European Union more competitive—we need growth and jobs in our economy—and we want the single market to be even more of a reality than it is today. We want to make progress on services and on trade agreements, for example, and are working flat-out to that end. I think the British Government recognise that.

The idea of bringing all those various commitments, programmes and policies into sharper focus in one clear commitment “written into the DNA” is a perfectly sensible and, I think, achievable goal. Precisely how it is done, what words are used and what instruments are used is a matter for the European Council. We are working hard to achieve that. We want to do all these things as quickly as we can and we think that the European Union is advancing on the right path, and we are very grateful for the British Government’s support in all these areas. The United Kingdom plays and has historically played an important part in the development of EU policies in all these areas.

The additional point you did not raise but I will meet head-on is whether targets can be attached to this process so that there can be a measurement of progress in achieving these things; for example, in reducing the regulatory burden on business. We are looking at that as well. It is not as easy to do across 28 different countries as it may be within an individual country, but that is not an excuse for ignoring the issue. We want to do this and to be seen to be achieving progress in doing it, so we are very open to consideration of how that can be done.

The Chairman: Thank you. On that particular point, it is a matter of record—I see the documents and triage them every Monday, typically—that we are beginning to get a flow of what you might call positive proposals coming through; for example, one on the use of the iPlayer or whatever outside your own state, which would be very welcome to my daughter; I discussed it with her yesterday. I mention that only as a small example. Roaming charges are perhaps a much stronger one, which the Prime Minister has mentioned. It seems to me, at least in principle—you may want to comment—that there is a certain coincidence of what you might call the reform agenda and the political agenda, and the economic and competitiveness agenda around that area. Would that be a reasonable way of looking at it, not least because no doubt the Prime Minister will want to say something as and when an agreement is concluded?

Jonathan Faull: Again, that is a matter for him, of course, but I think, generally, yes, this is not a contentious issue.

The Chairman: Are there any bear traps that we still have to look out for?

Jonathan Faull: We have to get to grips with the reporting target side of it—and we are certainly not unwilling to do that—to show that progress is being made. Apart from that, this is not a very controversial basket, not only for us but, I think, Governments across Europe, whatever their political composition. There will be disagreements on the detail of trade agreements. After all, it takes two sides to make a trade agreement so we can want one as much as we like but we have to persuade the other party—be it the United States in the case of TTIP, or other countries—to do that as well. Those who have been involved in trade negotiations will know how complex they can be, but the prize is a very important one and this Commission is very committed to that—and, to repeat what I said, the British Government's support is very welcome.

Q118 Lord Green of Hurstpierpoint: An observation would be that, looking back, the area of most difficulty in making progress has been the domestic services sector rather than trade. Trade is a clear Commission competence and a lot of fairly consistent focus is brought to bear on it. Historically, I think we would all recognise that it is the services sectors where least progress has been made in achieving a real single market. The question stands but it may be one that has no possibility of an answer: what difference does the Prime Minister's focus on this really make to what will happen over the next five years?

Baroness Scott of Needham Market: Perhaps I might add a supplementary to that. One of the things I observe as the chair of a sub-committee is an increasingly interventionist stand from the European Parliament. Unlike national Governments, where the Government is reflecting the parliament, that same arrangement does not work here. We can have all the

deregulatory intent we like but the European Parliament is often anything other than deregulatory—I just make that as an observation.

Jonathan Faull: Well, it requires a lot of hard work and persuasion and largely that is happening. The United Kingdom is not the only country pushing for freer movement of services around Europe—the freer provision of services from one country into another. It has often found itself in groups of countries—coalitions—taking initiatives, signing letters, et cetera. There is work to be done, no doubt, with other Governments and with the European Parliament in doing that. This is not a matter where lots of new rules are needed; it is largely a matter of implementing rules that are already there in the treaty and the services directive. Our general better regulation agenda, which I think is supported by the United Kingdom, is one that is shared across the European institutions. We do it under an inter-institutional agreement with the European Parliament. This is all very much work in progress. It needs constant attention and impetus and the British Government are usually not shy in providing that, and I hope that continues. The Commission welcomes the British Government's support in the agenda that Jean-Claude Juncker and his Commission are committed to and, in the case of the internal market, Commissioner Bieńkowska is working on very hard.

Q119 The Chairman: Thank you. As we begin to draw this to a close, I suspect that many of us who are students of diplomacy will have looked, occasionally with horror, at, say, the events of 1914, in that we have a tight timetable and perhaps the machinery will not work. Those of us with a political background will also worry at clouds no bigger than a man's hand, which suddenly become immediate and imminent. I just wonder, in what seems to be a well-conceived process at the level of the European institutions—and you have spoken with some delicacy about the role of the European Parliament as well—whether at the last moment, as it were, there is a possibility or any significant likelihood of difficulty either from the European Parliament institutionally or indeed from other member states, which may, for their own purposes—dare I say?—suddenly seek to introduce some further pitfalls in the process, possibly in pursuit of their own particular interests.

Jonathan Faull: I cannot speculate on what might or might not happen, I can only say what I see now with my eyes. What I see—and I think the December European Council confirmed this—is all 28 leaders wanting to find solutions in responding to the British Prime Minister's concerns, wanting to keep the United Kingdom in the European Union and wanting to maintain the integrity of the European Union's political and legal systems and the integrity of its single market in all its aspects. So there is a remarkable consensus, I think, about what leaders, whatever their political complexion or the composition of national Governments,

want and say they want to achieve. I think we all agree that the European Union faces major challenges of quite considerable gravity and complexity, and leaders want to show their common commitment to meeting those challenges within the framework of the Union that we have created. They very much see the United Kingdom as an important player in all those processes, whatever its status in respect of particular policies. There is a very strong commitment, which certainly we in the Commission share, to solving these problems, responding to these concerns—which are those of the British people, as presented to us by the British Prime Minister—and keeping all that is good in the European Union going, so that it is able, and its member states acting collectively through it are able, to meet the daunting challenges that we face.

The Chairman: On that note, Jonathan Faull, I draw this session to a close by thanking you very much. You, rightly as a high official, distance yourself formally from the political process. We could probably summarise what you said and indeed the note you left the discussion on as being both discreet and remarkably informative and helpful to us. That is exactly where we are and we are encouraged by that. We wish you every success in the immediate and proximate negotiations and thereafter. Thank you very much indeed.

Jonathan Faull: Thank you.