HOUSE OF LORDS

Revised transcript of evidence taken before

The Select Committee on the European Union

Inquiry on

VISIONS OF EU REFORM

Evidence Session No. 14 *Heard in Public* *Questions 140 - 150*

WEDNESDAY 13 JANUARY 2016

2 pm

Witnesses: Mr Manfred Weber MEP and Mr Brian Hayes MEP

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 Witnesses

Mr Manfred Weber MEP, Head of the European People's Party, European Parliament, and **Mr Brian Hayes MEP**, European People's Party, European Parliament

Q140 The Chairman: Let me just say as guests in the European Parliament building how delighted we are to be your guests, but also how delighted we are that you, two distinguished members of the EPP, have found the time to give us evidence. The background to this is that, obviously, we have a continuing involvement with European affairs as a Select Committee in both detailed studies and some of the strategic issues as they unfold. We did some work that I think you will know about on the role of national parliaments some time ago. I think we need a sensible understanding of that to advance better outcomes and European accountability, rather than fighting each other about turf.

We have also already had an early look into the process of this somewhat unusual British procedure for negotiations and a referendum. In this report, we are continuing to look at some of the process issues: how it is working, who is talking to whom and who has failed to talk to whom. We have gone from that to look at some of the more important issues of substance, particularly now that we have Prime Minister Cameron's proposals for four baskets of reform, in the context of the attitudes of other member states and the various political groups as to what would be a common understanding of reform. I think we all understand that Europe has to make some changes and is being very much challenged on the euro and, in the aftermath of the immediate euro crisis, migration and terrorism. That is before the Brits came along and said, "We want some changes".

At about this point we are going on to the record. If you are happy to give us evidence on the record, that will be very helpful to us: we can build it into our report. Unless there is anything you want to say initially, we will, in recording our thanks to you, which are sincere, get on with the first question. I would not want to make it too formal, but we have some prepared

questions and we tend to go through those, but between you and your colleague, please feel that you can intervene where it is helpful.

I want to ask a simple opening question, possibly not without overtones or different ways of reading it. Do you feel, either individually or as a group, that the UK Government have presented a clear and coherent vision for EU reform? Is this a collection of negotiating demands or is it the beginning of a common position? To what extent does it fit in with how you see the world?

Manfred Weber MEP: First of all, a warm welcome to Brussels, to the European Parliament and, in our case, to the EPP group. It is good to have you here and, together with my colleague and friend, Brian Hayes, we will try to answer your questions as best we can so that you come out at the end with a good report and a good overview of the current situation.

Reflecting on your first question, I would say that the approach of the British Government, the four baskets, mainly has in mind the British perspective on the future of the European Union. It is normal that a Government mainly reflects the national perspective. If you ask me as group leader of the biggest group in the House, I would tell you that, for the moment, our biggest concern for the long-term of the European Union is how we can develop our common currency in the European Union, the euro. That is not the main concern for Britain, but it is the main concern for the European Union, for us in Brussels, because we know exactly that we need a deepening of the currency union. The currency, the euro, is for the moment rescued, but it is not stable for the long run. That is the main topic on the agenda for us from a European point of view.

That is not so much the interest of Great Britain. I met David Cameron last week for breakfast. I understand that he is asking about getting better influence from a British point of view on what we are deciding in the eurozone, because Britain is touched when the eurozone is making decisions. The deepening of the eurozone, the stabilising of the currency union for the long run, is, from my understanding, the most important thing for the future of Europe, but not one of the topics for Britain. I understand the four baskets in a positive way for Britain, and a lot of things are warmly welcomed here on a Brussels level but, from a European point of view, other important things are on the table as well.

The Chairman: Perhaps I could come back on that point, before I ask Brian to continue. We discussed this with academics this morning and some of our MEP colleagues from different groups within the United Kingdom delegation, and I think that there is an understanding in Whitehall and the Government that, while it is important that the British role as a non-euro member should not be inhibited or challenged by decisions taken within the euro group,

equally, we have got the message from David Cameron—I am not here as his messenger—that there is a strong British interest in the success of the eurozone, and you as the eurozone have to do what you have to do.

I sometimes put it myself for shorthand as being, if you will allow this phrase, which is not always a happy one, a non-aggression pact: we do not prevent you doing the things you need to do if you do not intrude on some of our essential interests in relation to the single market, for example. As a matter of record, my colleagues, who are more expert in finance than I am, will confirm that the City of London is an asset, because of the capital market, for the European Union. We have to think about balancing that relationship. That is not to disagree with what you say; it is just establishing a basis on which one can look at it.

It would be helpful, as we have started on that, and more generally, if I could ask Brian to contribute, not least because I know his island and its interesting experience, which is not always clear to a Great Britain-based politician. You operate two currencies in one island. How does it work, and what is your take on things?

Brian Hayes MEP: First, as Manfred said, you are welcome to our group. It is very interesting for a German-Irish coalition to speak to a British audience like this, especially to a Select Committee in the House of Lords. As a country, we are so intertwined with the United Kingdom, not only because we share a land border in Northern Ireland, but also because of the €1 billion of trade that goes east and west across the Irish Sea each week. So, this is a very fundamental issue for us. We are also a very committed member of the eurozone. At the height of our own crisis, which was an offshoot of the financial crisis—from the start of Lehman Brothers, to the end point which we are, hopefully, beyond—we obtained great solidarity from our European partners in terms of the bailout programme and from bilateral loan facilities from the United Kingdom Government. George Osborne was the first Minister to support Ireland with financial assistance, and he brought a proposal to the House of Commons on that occasion. We are, therefore, very well equipped to comment on this issue.

As to your question on the coherence of the British message, I have one point to make. It is not a critical remark, but an observation made by the former Prime Minister, Tony Blair. Too often, the British argument on reform is too narrowly focused on British concerns rather than on wider EU ones. Some of those concerns are reflected within our own group, and the EPP, in terms of the competitiveness agenda, especially making sure that Europe grows strongly, that we have the right environment for business and that decisions are taken closest to member states where they can be effective. Too often, the debate is narrowly focused on the context of British concerns rather than EU-wide ones. For instance, from Prime Minister

Cameron's Bloomberg speech to where we are now, we have a clear view of where Britain stands on the four baskets of issues that Manfred spoke about. In three of those four groups of issues, I think—and I hope we can—make progress.

You asked about the question of being in or out of the euro. There are many things we can do, irrespective of whether we are in the eurozone or not. The 19 member states who are part of the eurozone want to make it work and be effective. We want to see more integration. However, with things such as the capital markets union, which is a major theme of the Commission right now, it does not matter whether you are in the eurozone or out of it. It is about developing a wider, deeper, more diverse financial market system across the 28 member states. Too often we accentuate the differences between euro and non-euro, rather than trying to move forward on the positive areas such as CMU, which is now such a priority issue for the Juncker Commission and, I hope, for all of us. We have to take a balanced approach, but I am very clear in my mind about what the Prime Minister wants to obtain from these negotiations. There is much commonality in what we want to do together on three of those four issues.

The Chairman: That is really helpful as a start. Those of us who sit around the House of Lords are sometimes quite happy to agree with one another where it is possible to do so and we should take that as a starting point for the discussion. I will ask Baroness Scott to contribute first.

Q141 Baroness Scott of Needham Market: Yes, thank you. We have picked up two sets of views here, held at the same time by the same people. On the one hand, there is an irritation that the long-standing "Brits as an awkward partner" has now resulted in what looks like a "Do as we say or we're off" kind of position, given a time when Europe is facing the most difficult and existential problems. We get that on the one hand, but on the other we pick up a desire to keep us in, for all that, and a desire to really get this job done in February. It is possible to foresee deals and arrangements of some sort being done in February that will make Mr Cameron happy, but I wonder what your thoughts are on what impact that has on other states. Is there likely to be a sense of asking why it should be British exceptionalism all the time? Does this start us moving to something that used to be called Europe à la carte—I do not know whether it is still called that? Has it, in any way, acted as a catalyst for some more introspective questions about whether it should be business as usual for the EU? We have heard what is in it for Britain. How does that play out in the way the Union develops?

Manfred Weber MEP: First, I underline that at the moment we are discussing the British thing. You are asking for a referendum, you will do the referendum, but there are 27 partners at the table who are saying every day: "Sorry, but we are not talking about my problems. I

probably have different problems with Europe than Britain". Normally the procedure is that 28 partners sit together and discuss things equally and it is a positive thing—after the history—that we sit together as friends. Everybody has to contribute to the future of our family approach and for the moment we are only discussing the British thing. That is creating a little bit of anger among the others, because there are big problems on the table which are really intense all over Europe, not only in Britain.

That is one thing; on the second, which is the question of what we can achieve in the next four weeks, from what I understood from other Prime Ministers and Chancellors, the atmosphere of the December Council was very positive and constructive.

The Chairman: Is that felt across all groups and all member states?

Manfred Weber MEP: Yes. I cannot talk for other groups but, from my group and partners in the Council, what Britain presented in the Council in December with the Tusk letter was well received. There was a clear position on the questions of competitiveness, bureaucracy, national parliaments and so on. It was presented in a way that said: "Let's make a deal. Let's try it. Let's do it". It was not a confrontational approach but a bridge-building one and was very well received. As Brian said, a lot of things are totally well received by our group because we are trying to do something on things like less bureaucracy and less burden to the economy every day here in the Parliament. That is our idea too. Jean-Claude Juncker and Frans Timmermans are already doing a lot in this regard. They are trying to limit all the initiatives of this huge bureaucratic institution. They are trying to do their best to reduce it. Juncker is my Commission President, an EPP Commission President. He campaigned on less bureaucracy. In Bavaria we have the same problem you have in Britain: explaining to the people the crazy things they are doing in Brussels. We have a common understanding of what we have to do. That was why it was well received: it was positive. Now for the detail. Jonathan Faull, the authorities and the Commission, together with others—Berlin and so on—are dealing with the details every day. Everybody knows that the devil is in the details but we are trying to build up a common understanding on what to do now to get a better deal for Britain in February.

Brian Hayes MEP: I will make one very brief remark. There is good will now—since the December Council meeting, as Manfred said—to get this deal done, but people should not underestimate the degree to which this debate is causing continuing instability in Europe. Across all of the committees, across all of our work and across the very important files that need to be brought to a conclusion by the end of this year, I would be very concerned if a deal was not resolved in February. It is broadly the ambition of all parties to bring this to a

conclusion at the February Council meeting. Under your legal system there must be a minimum time—16 weeks I think—from the conclusion of that to the referendum. I know you have mid-term elections coming up for Northern Ireland, Wales, Scotland and the London mayor in May. There is an opportunity now. If this was allowed to continue, it might change the atmosphere. That is a political observation that I would make about the necessity to get this done one way or the other, both in terms of negotiation and a result, because it is quite a consistent source of instability, and people should not underestimate that.

Q142 The Chairman: Thank you for that. I was going to take up an earlier exchange. You could take this as a flippant comment, but I hope there is a substantial point. You said it is difficult sometimes to persuade people in Bavaria what Brussels is doing for them, which I was inclined to comment on, as it may also be quite difficult to explain to people in Bavaria what Berlin is doing for their benefit. I use that as a platform for asking a question which I have always been meaning to ask but have not asked. Coming from a federal state, in your case as representative of the Freistaat, do you see a structural difficulty in understanding in the United Kingdom when it comes to the European Union? You have a defined set of powers and competences. We have looked—and then have apparently ceased to look—at the balance of competences within the European Union, but you are working in this sort of area where you have to look at who is responsible for what and at brokerage between the Länder and the federal Government all the time. You have a constitutional court which will oversee the process. Do you think it makes a difference to British political debate that, first, we do not have a formal, written constitution and that, secondly, we have some interesting anomalies in relation to the devolved Administrations, which have arisen for a variety of historical reasons? Do you think this is part of the reason for the way the British tend to put their argument? It is fairly early on in the debate but I thought you might like to think on that.

Manfred Weber MEP: You talked about historical development in Europe. A country like Great Britain can be very proud of its history and its development of democratic structures. I always understood Great Britain as a federal state, because there is Wales, Northern Ireland, Scotland and so on. My understanding always was that independent parts had formed the United Kingdom. That is why I compare it a little in terms of competences to our Länder in Germany, which are very powerful, as you know. There are Prime Ministers on the Länder level; the Bavarian Prime Minister, in my case, is a pretty powerful person in Germany. Maybe in this regard that is not so comparable, but the fundamental thinking is the same. If the model for the future is to respect different identities, that is not a problem for my country. I define myself first of all as a Bavarian. Then I am a German citizen—that is my nation and

my country—then I am, in some of the fields we are dealing with politically, a European. These different identities are part of our history in Germany: it is not a problem to define ourselves in different ways. In smaller countries, like Slovenia or the Czech Republic for example, the regional identity is the same as the national identity, because they are small countries. They have more problems understanding this idea of multiple identities at different levels. We do not need to make a problem out of different identities in the future. It is normal to have them.

The Chairman: Thank you for that. We should perhaps leave this philosophical level and come to the immediate issues, but I would just comment that our Committee has taken quite a close interest in the workings of devolved Administrations in the other parts of the United Kingdom. We visited Wales and Scotland with the Committee, and I myself have had an extended session in Northern Ireland, partly because we have consultation machinery across the devolved Administrations with the two Houses of Parliament in London, which rotates. We are fairly close for example, as I have said to Brian Hayes already, to an understanding of the Irish concern, on both sides of that border, about the nature of the 499 kilometres of land border. I met at least one EU ambassador who said to me, "I think your land border is bigger than ours". We are aware of the issue, but it is useful to have that content from your experience. Having said that, let us move on to the immediate and ask Lord Liddle to come in with his question.

Q143 Lord Liddle: You have spoken about how the British question is not the focus of most of our partners. How much momentum do you think there is towards getting it sorted out quickly at the February Council? The Prime Minister says he is well on the way to sorting it out. I noticed that Mr Hayes referred to three of the four issues. Does that mean that he thinks the fourth—by which I presume he means migration—cannot be sorted out by February?

The Chairman: Can I add a subtext? There is also the question about getting something which is legally watertight in terms of being able to satisfy the PM and the British public that it is not all going to unstitch.

Manfred Weber MEP: More time does not make the problem any smaller. There is a chance now and there is momentum at the moment. There was a positive outcome at the December Council and there is a strong will to do it. There are thousands of other problems on the table, so nobody on the Council wants to have a year of debate only about Great Britain, frankly, as there are so many other things to do. That is why there is momentum at the moment to finalise this. We need such momentum so we can say, "Let's do it now, let's do the deal". That is why I would say that it is the time for experts, working on the legal details of the deal, because the

political background and what is on the table is totally clear to everybody. Cameron is travelling all over Europe and investing a lot in this topic. There is a chance to finalise it in February in the Council meeting, and then it is up to Britain to decide. Europe is a voluntary union and countries are voluntary members. For the first time, the Lisbon treaty included the possibility of leaving. That is the system, and nobody is forced to stay in; it is up to the people to decide. But I have to say, from the point of view of Brussels, from a European point of view and from a partner's point of view, that when you leave, you leave. For example, today there is a question on the table about Denmark and Europol after we lost that referendum. Usually the people would say that it is logical to work together and support these organisations to fight against organised crime on a European level. It is logical for everybody: even Great Britain is a strong partner on all these things—we have data exchange and so on—because it is really important. But the people decided to leave. I am sorry, but now the people in Denmark have decided to leave, I am no longer ready to have any further negotiations with the Danish Prime Minister on the specific relationship with Europol. The people said, "We do not care about Europol" and the politicians in Denmark were obviously not able to explain to them how important it is. If that is the case, I respect the outcome fully—which means great damage for the security situation in Denmark. The PM got together with Juncker and asked about special treatment. I advised that my position was that there should be no special treatment. Out means out, which is what we also have to make very clear in the negotiations for the next month. We are doing whatever we can do. When I say "we", I mean the partners, not Brussels, which is viewed negatively. We do everything we can do, but leaving means leaving. That is that.

Q144 The Chairman: I am going to ask you a simple hypothetical question. Say Britain achieves success in the negotiations and the Prime Minister then puts the situation to a referendum, whose question, in simple terms, will be, "Do we remain or do we leave?" As you say, you would respect a decision taken by the British people to leave. In any complicated negotiations—in which the European Parliament would be required to be involved, through Article 50—do you think that there would be a strong wish to play hard ball, if I can use that phrase, in terms of the British position? You said that your advice on the Europol issue in relation to Denmark was that there should be no special deal. I think there are some people in Britain who are in favour of leaving, although not all, who would say, "Well, we would reach an arrangement". I want to put this as neutrally as I can: how realistic is it to expect there to be an arrangement which would be welcome or acceptable to the British Government?

Brian Hayes MEP: I might just come in on that point. This is a fundamental issue that has not been properly assessed in the UK. The day after a decision to leave happens, you then enter a negotiation, but that negotiation is coloured by the decision to leave. We have a flexible approach to membership of the European Union, because we have a multicurrency union and some parts in Schengen. Britain and Ireland are not members of Schengen; we cannot join until you join. We have this kind of approach. We often have had protocols inserted in various treaties, but it ultimately changes the negotiation and circumstance after leaving. There have to be downsides and negative impacts to leaving. As Mario Draghi said recently about joining the European single currency, people have to see a benefit in joining it. That same principle applies to the European Union. That is why people in the United Kingdom—this is a debate for your own population and political system—need to think about what exactly will happen in that post-leaving environment. It will colour the negotiations because people will want to ensure that, for those who remain, the benefits are there in terms of industry, finance and capital.

I will make one remark on the last of the four areas—the whole question of labour, migration and the rights of people to work. There will be very strong views among our Polish, Latvian and Lithuanian colleagues about this issue, because the British position is playing out very poorly. I was in Warsaw recently. I spoke to many people in their political system about the way the issue is playing out. I fully understand the issue in the UK of the question of migrant labour, but the fundamental starting point is that this is a fundamental principle of the European Union: the right of labour to travel to work. If you are a European Union citizen, you are entitled to work across the 28 member states. There can be no diminution of that principle; it is a foundation principle of the European Union. From an Irish perspective, we know it when we go to work in the UK and elsewhere. How you construct the solution to that will be crucial. The Prime Minister has put that out there into the mix. He needs to have some solution on that. That is where we have to work quickly to find a solution to this issue of labour mobility, which I know is a concern for the British public. The concern is as to what benefits people are entitled when they land in the UK and work within your system. Whether a recent ruling of the court will help in this matter is another matter entirely, but a solution has to be found. But I would not underestimate the difficulty of a negotiation in a circumstance where Britain decided to leave.

The Chairman: Just on the in-principle issue, while you are there, Brian, I notice that the Prime Minister's letter to President Tusk refers explicitly in a single sentence that the EU should also "do more to fulfil its commitment to the free flow of capital, goods and

services"—that is three of the four freedoms. Does it seem odd to you, or to other member states here, that the British Government can hold that position and at the same time say, "We have a problem with the fourth"?

Brian Hayes MEP: Yes, quite frankly. If you were to listen to our EPP discussions on this issue, that is reflected, certainly from eastern European colleagues, in their understanding of the rights and freedoms attached to being a European Union citizen. So "yes" is my straight answer to that.

The Chairman: I am going to ask Lord Jay to tidy up on the process issues and we will come back to migration, if we may.

Q145 Lord Jay of Ewelme: It would be helpful if you can say a little bit about what you see the role of the European Parliament being in the negotiations between now and February, and whether you think that, in the way they have put forward their proposals and the discussions that they have had, the United Kingdom Government appear to understand the role of the European Parliament and take into account the interrelationship between the institutions here. If you are sitting in London, you do not always get the impression that the complexity of the Brussels institutional mechanisms are fully taken into account. I wondered whether that was how it was seen here and how you see the role of the European Parliament.

Manfred Weber MEP: I understand that the complexity is not easy to understand from an outside point of view, but since the last elections it is very easy. We define ourselves today as the EPP, the biggest group in the House, as the ruling group, together with Jean-Claude Juncker. On Monday I had a one-day meeting with Jean-Claude Juncker and Martin Schulz. We discussed the priorities of the European Commission for 2016. We had a kind of coalition meeting, let me say, where we decided about our priorities, Brussels' priorities and our responsibilities, not intervening in others, but what the treaty is telling us we have to do. That defined our strategy for 2016. I went today to inform my group about the priorities we discussed and we came up with a common plan for the next G5—the coalition meeting inside this body. We are coming to a normal governmental system. Europe is not a state at all—there is no doubt about that—but we have responsibilities. The member states gave Brussels clear responsibilities for the environment, for the single market and so on. We are trying to do it in a way that normal citizens can understand. This is a democratic way: the Parliament is deciding on things that we present as a coalition. The Greens are against; we are in favour. You have an opposition; you have alternatives. The people vote and thence they can decide on the future of Europe in the responsibility of Europe. That is clear. There is a road.

On the one hand, there is the political dimension behind this. We are discussing things. I go to Angela Merkel and to Rajoy as group leader, to my Prime Ministers, to Orbán. I talk with them about the issues, so there is a political dimension behind this. There is also a legal dimension behind this. On the one hand, in the protocol procedures the Council will guarantee to David Cameron and to Britain some future changes to the treaty. That is one part. We are involved in that; Parliament is involved in a normal treaty change. On the legislative part, when we think about freedom of movement and misuse of the social welfare systems, we come to changes of legislation. Thinking about child benefits, for example, we need regulation at the European level for more fairness in this regard. If we do this and the Commission makes an initiative, we need a majority in the European Parliament. When we agree on the package in February, part of it will be normal legislative procedures. That is fully in the hand of the European Parliament. I commit that we are ready to do the job if it is needed, if the Prime Ministers and chancellors in the Council come to a common understanding.

The Chairman: I think we will go back to the issue of migration.

Q146 Lord Davies of Stamford: Thank you, Lord Chairman. Brian, since 1922 citizens of the Free State and then the Republic continued to work in the six counties, or would come to England, Wales or Scotland to work alongside their colleagues, paying the same taxes and national insurance contributions, and receiving the same benefits. Can you imagine an Irish Government accepting that, from now on, those Irish citizens should be discriminated against and should not receive the same benefits as their British colleagues working alongside them and paying the same taxes and national insurance contributions? Would not such a discrimination, if applied in the six counties, be contrary to the Belfast agreement?

Brian Hayes MEP: You raise a fundamental question. It would not only be against the spirit of the co-operation between Britain and Ireland over that period of time, but it would also be a violation of the Good Friday agreement. I am absolutely clear on that. Equally, to deny British citizens living in the Republic of Ireland the rights and benefits that apply to Irish citizens would be a violation of the Belfast agreement on the other argument, so it works both ways. I am very clear in my mind that, were Britain to leave, this could have potentially knock-on effects on the interinstitutional relationship that we now have as two sovereign Governments—the British Government in London and the Irish Government in Dublin—in terms of our constitutional responsibilities to Northern Ireland post the Good Friday agreement. I do not believe that people have properly thought through the implications of that for British citizens in Northern Ireland in that environment. It is part of the debate.

As a side quip, when Britain voted to join in the early 1970s, the only region of the UK which voted against it was, I understand, Northern Ireland at the time, which is extraordinary given the financial transfers that have gone into Northern Ireland since that period—peace funding and the like. I think it is one of the downstream effects that we have not given due regard to.

The Chairman: Thank you for that. Just to be clear and for the record, I think you have identified two problems. One is in the negotiations and the question of whether discrimination should be applicable between member states, particularly in the workplace. The second question is on the assumption, for this purpose, of a British exit, and that there would then be further and continuing issues which would apply to the nationals of those states. In practical terms, there would be pensions to tidy up and all that, as well as in terms of the constitutional arrangements made through the Good Friday agreement. There are two levels of concern; one is immediate and one is potentially not very far off.

Brian Hayes MEP: Correct.

The Chairman: That is really helpful. Working through these, I think it would be sensible if I could perhaps ask Lord Green to ask about some of the economic concerns.

Q147 Lord Green of Hurstpierpoint: Thank you. I have two sets of questions; one is about the eurozone and the in-out question—I think it is Mr Cameron's third basket—and one about his fourth basket, if I have the order right, on the single market and trade, and so forth. On the basis of what we have heard over the last 36 hours, there seems to be quite broad recognition of the importance of defining how the eurozone governance works in such a way that it does not undermine the single market. That is clearly a British demand for obvious reasons. Do you think it is recognised that that demand is not just there in a defensive mode but also there in order to protect what is an EU interest; namely, the importance of the London capital market, which is of course a European capital market and not just a London capital market?

My second question is about the single market trade and all the rest of it. The Prime Minister has called for, in effect, a broadening and deepening of the single market, active pursuit of trade agreements and general competitive flexibility all together under a single mantra of "competitive DNA throughout the EU". What in practice might that mean in terms of specifics that he could take home when he wants to declare victory and say, "The negotiations have been successful—I can now recommend to the British that they should stay in"? What specifics under that heading does he need to be able to offer? At the moment, it looks like rhetoric to which anyone can subscribe from any member state across the political spectrum?

Brian Hayes MEP: May I take the first question because I have some knowledge of this from when I was working in the Irish Government? As Deputy Finance Minister, I would attend the

eurogroup meeting on a Monday if my senior colleague, Michael Noonan, was not there. On a Tuesday I would attend the ECOFIN meeting. I have practical experience of how this works. It is not the optimum solution that you have 19 member states at a Monday meeting dealing with the eurozone and then 28 member states the next day.

However, any institutional change which could bring greater clarity about the rights of non-eurozone member states—this would be strong within our group and among Polish colleagues in terms of what issues they would raise—has to be an issue of concern. At an ECOFIN meeting, it is normal for the first item to be the presidency putting forward, through the chairperson of the eurogroup, what was discussed the previous evening. It would certainly help if we could have a better mechanism of information and outcomes.

However, it is interesting to note that, even in the midst of the crisis of the eurozone when people thought that it would divide north-south, east-west or among big member states, we now have one extra member of the eurozone. That takes the number to 19 and there remain nine member states which are not members. Of those nine member states, seven have said that they would like to join the eurozone in the future if the circumstances are right—Britain not being one of them.

For non-eurozone countries, there needs to be a recognition that the eurozone is here to stay. It will obtain more integration and become deeper, and is stronger as a consequence of the changes we made to the structure of the eurozone over the last number of years. That has downstream effects. If one looks, for instance, at the single supervisory mechanism, which is open to all member states of the eurozone to join, the new regulation we have now in terms of the capital adequacy of banks is a very exacting gold standard of what is required. The British moved first when the crisis happened and much of what we have in the SSM flows from what the British did.

However, there are cases where, in the SSM membership, using that standard can apply to the 28. Too often we extenuate the differences between eurozone and non-eurozone states, as I said in my opening remarks about the capital markets union. You are absolutely right. We will be greatly diminished with the City of London not being part of the 28 in terms of the expertise, the knowledge, the know-how and the specialisation of the capital markets union. It would be an enormous loss to the 28. If we are trying to develop these large, liquid, deep markets for alternative sources of non-bank lending, it is crucial that the British are part of that endeavour if they so choose to be. Too often we extenuate the differences and not the positives. If a mechanism can be found to have better communications and better dialogue

between the eurozone and the non-eurozone, those of us who come from eurozone countries would be delighted and would support it.

Manfred Weber MEP: I fully share what Brian said. In this regard, I cannot fully understand why Britain is so strongly insisting on this definition of the multicurrency union. Why? First, for Britain the legal situation is totally clear. For your country, you have an opt-out which is guaranteed by all the other partners. No one will ever force you to join the eurozone. This is totally clear for your country.

If the definition of a multicurrency union and the current legal base is changed, you are forcing others to accept it. I cannot understand why you are doing the job for others. Frankly speaking, if Europe is defining itself as a multicurrency union, that would lead, for example, to a debate on why British MEPs are deciding here in the European Parliament on the euro when we are defining ourselves as a multicurrency union. From what I understand from Hammond and Cameron, the interest of Britain was to get more influence in what was going on inside the eurozone because the decision-making process in Frankfurt and in Brussels is important to the City of London. Having this in mind, I think that the idea is to strengthen the influence of Britain in the decision-making process in the eurozone. The idea of a multicurrency union is leading to a splitting and a deepening of the split of the decision-making process.

That is why I would say, reflect on this. On the idea of the mechanism, we are totally ready to understand that London is the most important financial centre in the European Union, which is why we have to find a way to get a strong involvement in the decision-making process in the eurozone. We should be totally open but not insist any more on the idea of multicurrency.

The Chairman: Do you want to say something about competitiveness?

Brian Hayes MEP: The EPP group is very much the same. This is the battle that we have with the socialists every day. I say this to a multiparty Committee. This is exactly our agenda. Much of this work is outstanding. We gave commitments over 10 years ago about the competitiveness agenda. Unfortunately, much of the work in the last number of years was fighting the crisis. It took us a long time to respond. We made mistakes. But now that the currency is resolved and there is much better governance and supervision around that currency, I am very confident about the future. The competitiveness agenda is the same agenda as we have. As an EPP group, we are very much on the same page as Prime Minister Cameron.

Lord Green of Hurstpierpoint: I have two quick observations. On the eurozone, I think there are many people who be inclined to agree that making a big issue of multicurrency is a

matter of, shall we say, theology. But the thing that raised the hackles of the British was the ECB attempt to force euro clearing to take place within the geographical area of the eurozone, which cuts straight across single-market principles. When that kind of thing happens, you can understand the nervousness that was created in London. Moving forwards, rather than dwelling on what has happened in the past, it is important to find ways of assuring London that its role as the capital market centre for the European Union is not going to be trammelled by efforts to boost capital markets activity within the geographic bounds of the eurozone. It is important not to forget that. That is an observation.

Manfred Weber MEP: I understand that fully, but bear in mind that the forces that are doing this thinking in the eurozone internally, being strong, will not be weaker if Britain leaves. That is for sure. When Britain leaves, you will have the forces inside who are looking only to defend their own capital market—probably in the future against London.

Brian Hayes MEP: That is why I mentioned at the start the opportunity this year of CMU—we now have a Council agreement on securitisation on the prospectus. We also have a British Commissioner leading the Capital Markets Union. That was a very clever decision of President Juncker to do that. The other point that I am somewhat frustrated about, which does not get any attention and to which Manfred referred, is that the better regulation agenda—making sure that we do less but better—which is the initiative of Commissioner Timmermans, has not got any attention in the UK. We now have less legislation than before—I think it is better; there is more consultation and more impact assessment, which is exactly what the City of London would want—but there is no recognition in the UK that this is the space that Juncker's Commission is now in. Timmermans is very much leading an agenda that Prime Minister Cameron could argue for in his own country, but there seems to be no recognition in the UK of that new impetus that is there in this Commission.

Q148 The Chairman: Just commenting on that, something that may be for political reflection is the extent to which the Prime Minister, if he achieves his full negotiating basket, may also want in the context of the campaign to start to refer to some of the other developments that are happening in Europe which are positive. I noticed stuff coming through on the digital single market which seemed to me to be almost entirely good news as far as Britain is concerned. However, we may leave that if we may; I am conscious that we are moving towards the end of our time. In wrapping up I would like to ask you a question on the remaining basket that we have not touched on, which is what the British Government calls sovereignty, and which involves two issues—and then I will ask you a more general question which may affect the negotiations and the immediate outcome.

One is the familiar aspiration in the basket to do something about an ever closer union among the peoples of Europe in which decisions are taken as closely as possible to the citizen. The Prime Minister does not want to be associated with that. Do you gentlemen feel that there is any likely long-term consequence from either removing this aspiration from the treaties altogether or disapplying it in respect of one or more member states? Is this a kind of demonstration activity or is there some matter of substance—and, if so, is that substance disturbing or something you could live with?

Brian Hayes MEP: You are the leader of the group—this is a very theological question.

The Chairman: It is an easy one.

Manfred Weber MEP: It is a very easy one. When I described the multi-identities before, you talked about a more philosophical dimension. I have to say that the debate about ever closer union is also very philosophical, because we are not a state. I can repeat that—we do not have the right to say on our own what we want to decide. It is up to the member states, including the House of Commons and the German Bundestag, to decide what issues we should do together: what we discuss as the European Parliament and what we discuss as national Parliaments. That is why the idea of stopping this process of ever closer union, which is the political message behind this, is purely in the hands of the member states. Great Britain already had a lot of opt-outs from previous treaty debates, so there were a lot of possibilities where Britain did not join the ever closer union, in a way. So it is a very philosophical question for me.

But it is an important one, because the political debate in Britain is, "We must stop the train of ever more Brussels". When I read the text, it is, "ever closer union of peoples", not of Brussels—not of institutions and competences in Brussels. "Ever closer union of peoples" is a great description of the idea after the Second World War: that the people should stay together and should know each other, should think about partners and friends and not any more about enemies. That is a great formulation of what Europe is for me—of peoples. That is why I want first of all to defend it, explain it and to talk about the issue and the idea behind it. That is my political wish first of all.

Then, frankly speaking, if it is so important for David Cameron and Britain to make their special formulation on this, so that Cameron can go home to London and say, "I had a big success in changing this for Britain", okay, then we will do it, because it is not a substance debate but an idea debate. However, I, personally, am not ready at the moment to give this up without any debate. I would say, please have a look at the meaning of this sentence. That would be my answer.

Brian Hayes MEP: I listen closely to the debate in the UK, which is on the first part of the sentence "ever closer union of the peoples". It very rarely goes on to the second part of the sentence, which is, "in which decisions are taken as closely as possible to the citizen". How people can be against that—

Manfred Weber MEP: It's a great statement.

Brian Hayes MEP: A former EPP Prime Minister, John Bruton, who will be known to some of you, was in Parliament last night launching his book, and he made the point that our problem in Europe is that we do not have enough emotional attachment to it. It is not just about the head or indeed one's wallet but about an emotional attachment. If one looks back at, say, Churchill's famous speech in 1946 in Zurich where he spoke about the potential for a United States of Europe, the British have never fully understood why Europe is so important to many member states—and even to small member states such as mine, because it dramatically changed our relationship with Britain when we joined at the same time as the UK. One of the arguments about how we managed to come to an agreement in Northern Ireland is that it was because of our European joint sovereignty and our joint commitment as European partners. So it is how we obtain that emotional attachment. I would not like to see us giving up on this. As Manfred said, if this is part of a deal it will be part of a deal, but we all need to have some emotional attachment to this thing. It is not about wallets or heads or logic; it is about an emotional belief that we are British, Irish or German while at the same time being European. That has to be reflected somewhere. Whether the place to do this is in these treaties is another matter, but we need to give due regard to it.

Q149 The Chairman: One more immediate question is that of national parliaments and their role vis-à-vis the European Parliament and other European institutions. You know that within the basket the British Government are seeking "a new arrangement whereby groups of national parliaments, acting together, can stop unwanted legislative proposals". That is the red card signal. You know that in parallel, after quite a degree of consultation with the European Parliament—your colleagues—the House of Lords in particular has pioneered the idea of a green card. We do not see this as a pistol at your heart and we do not wish it to be. Do you see this as an important part of the debate? Is it something you can help Britain on?

Brian Hayes MEP: One of our vice-presidents is delegated with the task of having proper roles for national parliaments. We see this is a very important. The British position is that a number of countries could come together with a red card. We already have existing provisions there under the Lisbon treaty. There is no opposition within our group to having better relations with parliaments. We were the party arguing for having engagement on economic

issues, the Semester and country-specific recommendations on a quarterly basis with all member state parliaments. We will have to wait to see the detail and how it applies.

Where we would absolutely disagree—and I think I speak on behalf of the entire group on this—is at the end of the process. Whatever the Commission proposes at the start, we could not have a situation where the British or anyone else, having gone through this House and having co-decision-making powers with the Council, arrived at a result that would not then be EU legislation. There is some logic to the proposal of Prime Minister Cameron. We will have to wait to see the final detail of it but there has to be some equality between holding up a red card and preventing the single market. We are in favour of having a proper single market that works, an internal market that can create the kind of jobs and growth for people that delivers for ordinary European citizens. If that red card is not used to prevent that, for protectionism, we would have an open mind about it.

Manfred Weber MEP: Everything that strengthens parliaments is welcome, because we need more parliamentarianism in Europe.

Q150 The Chairman: Our final question concerns recent events, particularly the terrorist outrages, which may have reminded people that there are some very high issues at stake immediately in relation to a cross-European response to terrorism. As we have seen recently, there are military and security threats in the neighbourhood that are also of considerable concern. Beyond those, there are economic and reputational threats to the European Union, or the European continent, concerning its relative size and ability to exercise its influence. Do you think that those factors have been overlooked by the British Government in their reform proposals? Are they worth further study, and could they indeed form the basis of the development of a future programme that could be mutually agreed?

Manfred Weber MEP: Frankly, when we agree on commitments from the European partners to the current British wishes on the table, then for sure after 2017—there are the French and German elections, and we need a deepening of the eurozone and our internal links—we will have a debate about the treaty. There is the chance to include other items as well, to strengthen our family approach to foreign policy, having Putin and Russia in mind. Strengthening our common capacity in this regard will be on the table for sure. If it is not in one of the buckets today, it is not a problem, I would say.

Brian Hayes MEP: I agree with that approach. I think it is open for discussion and negotiation.

The Chairman: In conclusion, our warmest thanks to you, Manfred Weber and Brian Hayes, for an extremely interesting and thought-provoking session. The atmosphere of moderation

and if not consensus then at least an ability to define and look for solutions to the various problems are very welcome. I have a feeling that this is something that has now begun that should not be concluded too early. We are very grateful. Thank you very much.