



Oral evidence: [Costs and benefits of EU membership for the UK's role in the world](#),

HC 545

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Members present: Crispin Blunt (Chair); Mr John Baron; Ann Clwyd; Mike Gapes; Stephen Gethins; Mr Adam Holloway; Daniel Kawczynski; Yasmin Qureshi; Nadhim Zahawi

Questions 286-357

Witnesses: **Rt Hon Dr Liam Fox MP, Rt Hon Alex Salmond MP, Rt Hon Gisela Stuart MP and Rt Hon Sir Malcolm Rifkind QC** gave evidence.

Q286 Chair: Colleagues, welcome to the final evidence session of the Foreign Affairs Committee's inquiry into the role in the world of the United Kingdom and the implications of the Brexit decision. I would be grateful if our witnesses would first simply identify themselves for the record.

Sir Malcolm Rifkind: Sir Malcolm Rifkind, former Foreign Secretary and member of the Britain Stronger in Europe campaign.

Alex Salmond: Alex Salmond, Member of Parliament for Gordon.

Dr Fox: Liam Fox, MP for North Somerset.

Ms Stuart: Gisela Stuart, MP for Birmingham, Edgbaston and chair of Vote Leave.

Q287 Chair: Thank you all very much. For the information of those people watching this, let me explain how we are going to structure it. I am going to invite each of you to make an opening statement of no more than 500 words, and then I am going to invite each of my colleagues in turn to put questions to you and give each of them 10 minutes in which to do so. Then, at the end, I may invite you to make very brief remarks to comment on things that you may have heard during the session. Sir Malcolm, perhaps I could invite you to open the batting.

Sir Malcolm Rifkind: Thank you very much, Chairman. May I begin by congratulating the Committee on the nature of this meeting today? It is probably the first time that the SNP and the Conservatives have created a joint platform in support of this particular campaign. Whether it is a precedent or not, time will tell.

As I think we are all speaking in our personal capacities, perhaps I should say to the Committee where I personally am coming from. Historically, I have found it difficult to be on either end of the spectrum on this issue. When I was Foreign Secretary, *Le Monde* once described me as a “eurosceptique modéré”, which is a combination of qualities I was quite happy to go along with. What I have tried to do for each of the issues involving the European Union is to look at the costs and benefits of each sector of policy. So far as today’s discussion is concerned, on foreign policy and Britain’s place in the world, I have not found it at all difficult to come to a judgment, because I believe that the benefits are very substantial; I think the costs are at most minimal, if not insignificant. Let me explain what I mean.

The way in which any country conducts its foreign policy is to use its power when it has power and, when it does not have power, to try and expand its influence. When it comes to the European Union, we have both power and substantial influence. The power we have should not be underestimated. Of course, qualified majority voting does not apply. There cannot be a foreign policy position of the EU unless there is unanimity, and our veto has two effects. First, it means we can prevent any European foreign policy position that we do not like. Secondly, also because we are a member of the EU, we can prevent the EU adopting a foreign policy position that we do not like. There can be no European view if any country objects to it, and the United Kingdom has that power.

When it comes to influence on the more positive side, when there are objectives we are actually seeking, then, along with Germany and France, we have more influence than any other country. We have seen the importance of that on issues like the Iranian nuclear negotiations and the sanctions against Russia, where Europe has made a real difference to the global position—one that would not have been achieved in the same way without the United Kingdom.

The irony is, if we were not in the European Union, such are the common strategic interests between Britain and the rest of Europe that a lot of our foreign policy effort would have to be devoted to trying to influence the European Union, of which we were no longer a member. There is no geostrategic threat to France or Germany or continental Europe that would not also be a threat to Britain, as we found both in 1914 and in 1939. So we would be in the extraordinary situation of having given up the power to either control or influence policy, but seeking as outsiders nevertheless to influence it anyway, because the outcome would be very important to us. I noticed that a columnist in the *International New York Times* remarked of Britain, “To be alone against enemies in 1940 was heroic. To be alone among friends in 2016 would be”, in his view, “absurd.” I think there was a point.

I have noticed that the Brexit campaigners argue that, if we were liberated, we would somehow be able to influence events. I have not quite understood, apart from the rhetoric, what that is supposed to mean. Who is going to be influenced in a way that they are not being influenced by the United Kingdom at the moment? Who are the potential candidates? The United States have made it clear that they do not want Britain to leave, because they see our role as part of the EU as important to them in influencing the European Union position.

Both the old Commonwealth and the new Commonwealth take exactly the same view. They want the United Kingdom in the EU, not outside it. They will not be pleased, not be impressed, and will not devote more time to our views if we are outside. So far as NATO is concerned, it is the same. The only people who would rejoice are the Russians, and perhaps

one or two others like the Russians. They want the fragmentation of Europe and they would see this as the first major step.

Let me conclude, because I know time is short. I will just say one final thing. The world is becoming, as we all know—this Committee knows more than most about this—global. The big decisions over the years to come are going to be taken more than anything by the United States, by China, by India, by Russia and by the European Union, whether we are in it or not. Is it seriously being suggested that the United Kingdom, with 65 million people—less than 1% of a world of 7 billion—is going to have more influence by itself than as part of the European Union?

My very final point is this—we can get carried away sometimes. I remember when Albania was communist. Its dictator, Enver Hoxha, whose only ally was China, said to his people, “We are very important people. Together with China we represent a quarter of the world.” Let us not make the same mistake of saying that, with our 65 million in a world of 7 billion, somehow we are not strengthened by being part of the European Union when it comes to foreign policy and the costs and benefits of leaving that Union.

Ms Stuart: I, too, will start with a personal journey on this. It is important to understand that I was born in West Germany. I am probably one of the few British politicians who does not regard the word “federal” as an F-word. I know these things are perfectly possible, but I also know what it requires for it to work. I spent two years as a Health Minister in the Council of Ministers. I spent 15 months trying to negotiate a European constitution on behalf of this Committee, by the way. When the constitutional convention was formed, it was this Committee that sent representatives and it was our duty to bring the European Union closer to its people. I think it literally was in July 2003 when, after all attempts, I reached the conclusion that this institution actually did not wish to be democratically accountable; that it was incapable of changing.

Looking back now, I think the trajectory of where the United Kingdom peeled off in some way started off with our refusal to be part of Schengen and our refusal to be part of the euro. Today, we are in a position where no one, even from the in campaign, is actually prepared to defend the institution of the European Union. We can be talking about the benefits of membership of an institution that no one appears to be able to defend for its merits.

Can we just talk about the institution? It was very interesting that Michael Fallon, in particular, started to talk about being part of an alliance. That is true as part of NATO. We are part of the IMF and we are part of all other kinds of alliances and groupings. What is different about the European Union is that it is an institution that requires legal supremacy; none of our other alliances do so. In the context of a House of Commons inquiry, I would urge colleagues to think about democratic accountability and where it is going. Before 2010, the House of Commons used to have debates on a Wednesday before the Prime Minister went off on a Thursday to the European Council. We used to have fisheries debates and agriculture debates. They have all gone. We have not only increasingly given more areas of decision making, but this place itself is simply not taking an interest or using the ability to influence and shape some of these decisions.

That then takes me to why I now say we should leave. Let us be absolutely clear: if the Prime Minister had not called a referendum, I would not have sent off an application form to UKIP; I would have said, “Let’s work.” The Prime Minister calls a referendum. As recently as before Christmas, he says that of course it is perfectly okay for the United Kingdom to thrive and be a confident country outside. I am not entirely sure what has happened in the past four months that it was perfectly possible to be a confident country outside then, but now it is doom and gloom and the most utter irresponsibility to say no.

It is a once-in-a-generation chance to make a decision. I look at this institution that was formed in the times when there were big blocs—as Malcolm Rifkind quite rightly says, there was the cold war, the east bloc, the Americans—and Europe thought we needed to form our own bloc. I suggest there have been three waves of globalisation. The one in goods started with the formation of the WTO. Even when people talk about the single market now, increasingly the European Union becomes the organisation that hands down WTO decisions to member states. The second one was the global flow of capital, and we saw how incapable we were of dealing with that in 2008. The migration crisis we see now is actually the third wave of globalisation, and we are incapable of dealing with that. When I am then asked if I think I am going to endorse this institution, which nobody appears to be prepared to defend and which is democratically unaccountable, in my once-in-a-lifetime vote, I say no—I think we should vote leave.

Q288 Chair: Thank you very much indeed. Alex, I invite you to make your comments.

Alex Salmond (Gordon) (SNP): Thank you, Chair. Not only do I find myself, for the first time of my life, speaking with Malcolm on the same side, but I find myself surrounded by Conservatives—something which is physically impossible in Scottish politics, incidentally, Chair.

Chair: And, indeed, Scots.

Alex Salmond: I notice you have three Scots and a German giving evidence to this Committee, trying to deal with the anguish of England. I am sure we will do our absolute best.

I am for Remain. I think this country’s future is inextricably connected with Europe. I do not rate the campaign that has been conducted thus far. I am not talking, of course, about evidence to this estimable Committee; I am talking about the broader campaign. I feel it’s almost like “Project Fear” from the Scottish referendum has been split in two—one side arguing for Remain and one side arguing for out. I find that the arguments are not those that I would support. I don’t think the plagues of Egypt will descend on this country if it decided to leave the European Union. Equally, I don’t take the fantastic propositions of the evils that will befall us if we remain in the European Union.

I rather take the view that Malcolm alluded to: I think that if we didn’t have an institution like the European Union, we would find it necessary to invent one. No doubt we would invent one with many imperfections, but one would be necessary to deal with the challenges that we should and must meet on a continent-wide basis.

I hope that, in evidence, I can bring to the Committee some practical experience. Obviously, as First Minister of Scotland, I dealt with the ambit of domestic policy over a seven-and-a-half-year period. Last night, in preparing evidence, I was thinking of whether I could identify things that were so constrained by the European Union and the *acquis communautaire* that they caused great difficulty. I can think of only three: fishing policy, minimum pricing on alcohol, and I wish I had introduced a living wage beyond the public sector in Scotland. But each of those are capable of being dealt with, and they certainly would have been dealt with had we had the powers of a member state. In contrast, I can think of a whole range of policy initiatives of the Scottish Government that were assisted and enabled by our membership of the European Union.

My position is that an institution like the European Union would be necessary for us to invent if we didn't have one. This country's future is bound up inextricably with Europe, and we should embrace it. It is said that people are not prepared to defend the European Union. Well, I'm prepared to defend it—not because I think it is a perfect institution, but because it has, on a range of policies, achieved a great deal, and with effort and will it could achieve a great deal more. On the issue of practical experience, as opposed to phantoms in the night or bogey people in the cupboard, I hope to be able to offer this Committee some insight.

Dr Fox: For me, the whole issue is one of sovereignty, so it is not possible for me to disaggregate the concept of sovereignty from all the other issues related to that, in terms of foreign and security policy. I want to live in a free and independent country, and for me the positive benefits of leaving the European Union are to get control of our law making, to get control of our borders and to get control of the use of our own money. For me, those are prizes worth having, even if there is a price to pay.

I fundamentally do not believe in the concept of supranationalism. I do not believe that we should voluntarily give up our identity and be subjugated to any degree whatever by a legal authority, rather than a co-operative organisation. I do not believe that we can talk about Europe and the EU as being the same. One of the things that has irritated me profoundly during this campaign is people talking about Europe and the EU as though they were one and the same. Europe is a continent with individual nations with their own identities and their own heritage. The EU is a short-term political construct, in my view run for those at its centre, with precious little regard for its citizens or the consequences of its actions.

I'm not one of those who says that everything the EU has done is bad. For example, I think the ability to help bring Spain, Greece and Portugal from military dictatorships into the democratic family of nations was an important step. I think the ability of the EU to act as a beacon for the countries that were under Soviet tyranny and show them that there was an alternative future of freedom, democracy and free markets was very important, but I do not believe that the European Union and those at its centre understood the consequences of the fall of the Berlin wall and the new world that was on the other side of that.

I do not believe that we have a reformed EU; I think it is an unreformable EU, because those at its centre do not want it to be reformed. I think they are going against the grain of history, and if they will not bend, they will break.

I also believe that there are more risks to the United Kingdom in remaining in the EU than in leaving. In particular, I think that the “unfinished business”, as the Governor of the

Bank of England called it, of the completion of monetary union poses big risks for the UK. If there were risks before the Prime Minister's renegotiation, they have got bigger now because we have given up our veto when it comes to the process of de-risking the euro and what might happen in the eurozone. It is like being in a modern driverless car, but one not attached to Google.

I also think there are security risks to us in continuing in the EU because of what is happening with migration and the security risks that will come, as inevitably many of those who have come into Europe gain citizenship over a period of time, if we have the unlimited free movement of people that we have at the present time.

I agree entirely with Gisela, but I think that the fundamental move here was when the eurozone was created. At that point, the eurozone started to leave us and that was the fundamental shift in the plates that we are seeing widening at the present time.

I totally agree with Malcolm that the world is becoming more global. We have moved from the bipolarity of the cold war through the so-called unipolar moment of the US into a very different world with multiple power centres, even though they are still largely asymmetric. But I think the era of the bloc is diminishing and the new era will require us to have greater flexibility, and the restrictive nature of the structures of the European Union will diminish our ability to take advantage of that new global dynamic.

At a time when we need to be forward and upward looking, the European Union remains backward and inward looking, spending far too much time gazing at its own navel and far too little time thinking about the future of European citizens, particularly the young, who have been sacrificed on the altar of the vanity of the single currency.

Chair: Liam, all of you, thank you very much for those opening remarks. How we are going to proceed now is that I am going to give each of my colleagues 10 minutes to question. Those questions will be aimed principally at one of the witnesses, but if they want the flexibility to ask them of other witnesses in their 10-minute session, they have my leave to exercise that flexibility. I first invite Nadhim Zahawi, who will begin with questions to Sir Malcolm.

Q289 Nadhim Zahawi: Sir Malcolm, welcome. In the debate on 24 October 2011 you said that what we need, not just for the United Kingdom but for all member states, is a European Union where we will not stop France and Germany if they wish to move to closer integration and fiscal union—that ultimately is their business—but “nor must they seek to impose a veto on the level of integration that we should have”. Britain has agreed not to veto further integration of the eurozone. We have given that up, but do you believe the safeguards against this impacting on Britain's interests is enough? In 2011 you seemed to argue that there should be a more formal reciprocal agreement that there would be no interference if we wished to opt out of more areas. That has not been achieved, has it?

Sir Malcolm Rifkind: I know what you are getting at, but let me give you a very straight answer to your point. I think David Cameron's most important achievement in the negotiations—the welfare benefits were important but not the most important, I think—was the clarification that the term “ever-closer union” does not require the United Kingdom to be under any pressure to conform to any new proposals for integration that it does not believe to

be in its national interest. That is exactly the kind of European Union we want, but please, Mr Zahawi, accept that if we want to be allowed not to integrate, those who do wish to integrate further must also be allowed to do so and must not be subject to our veto stopping them.

With your permission, Chair, may I make a couple of very brief comments in answer to a couple of very important points?

Chair: No, Sir Malcolm. You can do that at the end.

Sir Malcolm Rifkind: By all means, I will do that at the end.

Q290 Nadhim Zahawi: You went on to say that to have a debate that might lead to a referendum on whether Britain will remain in the European Union or leave it entirely is a massive distraction from the real concerns that this country and the rest of Europe have to address. Do you still believe the referendum is a massive distraction?

Sir Malcolm Rifkind: I believe that the real debate we should be having is not whether we should be in or out of the union, but what kind of union is going to evolve when it is a union of 28 and perhaps into the 30s, which has to be a Europe of diversity. I was involved in publishing a White Paper, “The Partnership of Nations”, which is what we are actually moving towards, not because everyone in Brussels wants it but because it is inevitable when you have 28 countries that you not only have some in the single currency and some out of it, but you have some in Schengen and some of it, some in NATO and some not in NATO. That factor is going to be magnified over the years to come.

Nadhim Zahawi: So is the referendum a distraction?

Sir Malcolm Rifkind: It was inevitable given the degree of hostility from a large section of the British electorate to whether we stay in the European Union or not.

Q291 Nadhim Zahawi: In your view it is a distraction?

Sir Malcolm Rifkind: No, I am not saying it is a distraction. I am saying it became inevitable. We will know on 23 June whether the section of the British public who want to leave the Union is a majority or a minority. Given the strength of feeling on this issue on both sides—

Q292 Nadhim Zahawi: So you are retracting your statement that it is a distraction?

Sir Malcolm Rifkind: No, I am not retracting it. I am saying that I would have preferred there not to be a referendum, but it did not just depend on my preference.

Q293 Nadhim Zahawi: So, you would prefer that there not be a referendum. I am short of time so I would like to carry on with my questions. My apologies. At a lecture on 2 May 2013 at the LSE, you said: “While NATO continues to be the main guarantor of the security of European nations, including ourselves, from external threat; it is the European Union which has been the most important means of creating, ensuring and extending friendship, co-operation”—and, most important—“democracy and the rule of law within Europe.” Do you believe that enforcing unpopular decisions on independent countries via undemocratic

institutions, which we have seen during the euro crisis in Greece and other countries and the effort to impose migrant quotas, for example, undermines the argument that the European Union is the most important means of ensuring democracy, as you said in your statement?

Sir Malcolm Rifkind: Today we are discussing foreign policy and Britain's role in the world. When comparing NATO and the European Union, as you are doing quite properly, we have lost more sovereignty by our membership of NATO than we have to the European Union in foreign policy, where we have a veto. In NATO there is an integrated military structure, which led General de Gaulle to take France not out of NATO but out of the integrated structure for 40 years. Compared with that, NATO is an example of where we have accepted that sharing sovereignty can sometimes make a great deal of sense.

NATO is not intended to be a democratic organisation. I have always felt there is a democratic deficit in the European Union. That has to be one of the arguments for keeping integration only to those areas where there is an obvious benefit to the United Kingdom in terms of our prosperity, our security, or our quality of life. The single market was the single most important example. I was Margaret Thatcher's Europe Minister and I know for a fact that she was a strong champion of making the concessions to sovereignty, like majority voting, in order to deliver the single market. I was given instructions to support that by Margaret Thatcher as Prime Minister when it was being discussed in the Council of Ministers.

Q294 Nadhim Zahawi: So really what you are saying is that you accept a pooling of sovereignty, or at least some form of dilution of sovereignty?

Sir Malcolm Rifkind: Not as a general principle. I said I believe, and I think this applies to all countries—

Nadhim Zahawi: For the greater good of Europe.

Sir Malcolm Rifkind: No, not for the greater good of Europe. For the greater good of the United Kingdom. I said a few moments ago that I have only supported areas of integration. I did not support the single currency; I opposed it from the very beginning, because you cannot have a single currency properly without a single government, and that is why it is never going to work properly. I have said all along that I will support integration, including the United Kingdom, if I am satisfied that the United Kingdom's prosperity or security, or the quality of life of the people of the United Kingdom, will be enhanced, as, for example, with climate change policy or environmental policy.

Q295 Nadhim Zahawi: I am coming to that point in my next question. You also said, "A further example of where Britain needs to be in the European Union is the international action needed on the environment." You went on to say that "an international response is essential; and British interests in these international negotiations are very similar to those of France, the Netherlands, Germany, Ireland, and all our other neighbours." My question to you is that, although Britain may well have similar interests to other European countries, why does this require us to be part of a supranational body that negotiates as one?

Sir Malcolm Rifkind: Let me give you an example. When the Chernobyl nuclear reactor exploded, Welsh farmers found their sheep were affected. Sadly, problems of

environmental pollution do not respect national borders. The only way Welsh farmers could be protected from that happening again is by international agreement, and when it comes to international negotiations, we have far more clout being part of 500 million people negotiating than if we were simply by ourselves.

Q296 Nadhim Zahawi: I hear you, but the Paris agreement was signed by 195 countries; only 28 were members of the European Union. As you said, pollution does not recognise national borders, but neither is it limited to the European Union.

Sir Malcolm Rifkind: I would not for a moment suggest that we could not play our part as a separate country in an international negotiation and be part of the final decision, but a successful negotiation is actually successful when you get your main negotiating objectives. If the British clout is restricted to that appropriate to one country out of 20, 30, 40, 50 countries negotiating, then we are not going to get our own preference very often. If, however, we are one of the leading three countries in the European Union, when the European Union comes to formulate its negotiating position it is much more likely to reflect the views of Germany, Britain and France than it would otherwise do. It is about negotiating.

I have been involved in these negotiations during my time in the Foreign Office and I know the extent to which not just the United Kingdom but the UK, France and Germany, if they have very strong interests, such as the City of London in our case, carry far more weight—sadly, and perhaps it is unfair—than do the views of individual countries such as Cyprus, Malta, Portugal, Slovenia and so forth. It may be unfair but that is the reality of any international negotiation. And if we can be part of the European Union as well, such a large bloc of countries, adopting a mandate that has been agreed with our involvement in those discussions, that puts us in a much stronger position. That has been my experience, which I have to share with you.

Q297 Nadhim Zahawi: You went on to say: “The most important objective” for the renegotiation “of the United Kingdom should be a binding guarantee that no proposals for significant further harmonization of social, justice, employment or fiscal policy would apply to the United Kingdom without our consent.” Do you believe this outcome has been achieved?

Sir Malcolm Rifkind: I think it is being achieved. Remember, I made those remarks—I think you are quoting the LSE speech?

Nadhim Zahawi: The LSE speech.

Sir Malcolm Rifkind: That was about four or five years ago. Yes, I think we are moving very much in that direction because of the commitment that ever closer union will not apply to the United Kingdom—

Q298 Nadhim Zahawi: We are moving in that direction or it has been achieved? That is my question.

Sir Malcolm Rifkind: It has not been entirely achieved for any country. The Germans and the French occasionally have views reached that they are not happy with. What is unique for the United Kingdom is that at this moment in time—I expect other countries will demand

a similar privilege, but at this moment in time—we are the only country that can invoke, as an agreed position of the EU, that we decide whether any further proposals on integration are in our national interest or not. That is unique.

Chair: Thank you. I am afraid that time is running out. We are going to have to exercise a bit of discipline if we are to get through this on time. I am now going to invite Ann Clwyd to lead the questions. I anticipate that her questions will principally be directed at Dr Fox.

Q299 Ann Clwyd: I should explain my own position. I have worn two hats: I was elected to the European Parliament in 1979 as an anti-EU candidate; two years later, I changed my mind. In politics, if you change your mind, it is always embarrassing because you then have to explain why you have changed your mind. I did so for a variety of reasons. I found that working with a group of people, from the only nine countries at that time, was very enlightening. I found the attitudes in this country in comparison to be insular—they did not take into account the views of other countries. I certainly felt that it was an experience and I was very glad that I did not come to this place first; I had five years in the European Parliament before coming here. So I am obviously very pro-EU for a variety of reasons, which we do not have time to talk about today.

I wondered, Dr Fox, if you had heard David Miliband, the former Foreign Secretary, speak on the “Today” programme this morning about his views on why we should stay in the EU. One of the points he made, and he has also written in *The Guardian* this morning, was on “Why Brexit would be nothing less than an act of political arson”. He called it “an unprecedented act of political self-destruction.” His view is that “The challenge is about security”, and there is only one way we can be sure of having a secure future and that is working globally. He said, “the global commons—the physical, legal, environmental, even moral space which we hold in common—is under threat as never before at a time when the need for global cooperation is greater than ever before. So the “British question” is not only one of what we get out of Europe. It is also one of whether we want to shore up the international order, or contribute to its dilution and perhaps even destruction.” Can I invite you to respond to that?

Dr Fox: Far be it from me to disagree with anything that is on the “Today” programme or in *The Guardian*. It is not surprising that I take a virtually polar opposite view to that, because I think that the European Union is failing. I think that we should not be shoring up the institutions that they it has at the present time that are contributing to that failure.

I look across Europe and I see a generation of young people made unemployed, not least because of the failures of the project of monetary union. I see fences and barbed wire being erected with the failure of Schengen and the failure to anticipate problems of mass migration. If the European Union is ever to succeed, there needs to be very fundamental reform. There will not be fundamental reform without some major shock and I think a British exit might just provide the level of shock they require.

On the idea of co-operation, of course we need to co-operate. We have always co-operated. As to the idea that we are insular, were we to leave the European Union, we still have a permanent seat on the UN Security Council. We are still in the IMF; we have still got the World Bank; we are still a member of the G7 and the G20; we have the world’s fifth

biggest defence budget and right at the heart of NATO and at the heart of the Commonwealth. We are hardly going to be thrust into outer darkness. Our ability to co-operate is huge.

The initial point I made remains the sticking point. I cannot accept the supranational authority. I cannot accept the legal supremacy of the project. I am very happy to co-operate with any of our continental European partners and beyond where we have mutual interests, but I cannot accept having our law being subjugated to a foreign court.

Q300 Ann Clwyd: During the five years I was in the European Parliament, the place changed a great deal. We had directly elected Members of the European Parliament. I do not think you should discount the role of the European Parliament in all this. I think it is unfortunate that most of the debates that take place in the European Parliament are on our televisions very late at night. Some of them are very superior to the debates that take place in the House of Commons.

The role of the European Parliament has been strengthened. Like every elected group of members they have fought for more powers, they have achieved them and they want even greater ones. They are directly elected. The electors can remove them at the next European election. What do you think is the role of the European Parliament in all this?

Dr Fox: I find that a very pertinent question, particularly today, given what the Vice-President of the Parliament said today about the Heads of Government agreement that seems to be the very agreement on which our entire debate is predicated in this referendum. He said that it was something that had been “hammered out down the local bazaar”, it was not binding legally and elements of it could be voted down in the European Parliament. That is a statement of fact: it can be. We are being asked to determine our membership of the European Union on the basis that we have a watertight legal agreement, but clearly the democratically elected European Parliament does not agree. Both things cannot be true.

Q301 Ann Clwyd: Again, let me tell you about when I was there. We had great losses in the steel industry, in Wales in particular at that time. What was evident was that in many of the other European countries where great losses were taking place in steel—for example, the Ruhr—5,000 men were losing their jobs and 5,000 men had other jobs to go to. The great criticism of this country then by the European Commissioner for Social Affairs was that we had not planned for change. While other countries had planned for that change and had a social policy to deal with the change, this country, again under a Conservative Government, had not planned for that change. Do you think anything has changed?

Dr Fox: I think it has very much changed because unemployment in the United Kingdom is 5.1% and unemployment in the European Union is 8.9%. Unemployment in the eurozone is 10.3%, and if you extract Germany’s 4.4% from that eurozone average, you get a very much higher number. I think the problem with the European Union is that its policies are largely sclerotic. The imposition of the single currency, allowing countries into it that were utterly unsuited for it, has been a disaster.

The reason it is such a social and potentially political disaster is that when I see Chancellor Merkel visiting Athens and I see young Greeks wearing Nazi armbands, that says to me that they are not there to welcome the largesse of the German taxpayer; they see it as

austerity being imposed by Berlin on other European countries. Memories are still raw and that plays in to a growing sense of nationalist tension on the continent.

My first memory of the European Union—where I started on the journey—is of the '75 referendum, when I was 13 years old. My parents campaigned on opposite sides. My father campaigned to join the then Common Market, saying, “I don’t want my children involved in a European war. I don’t want the ethnic and nationalist tensions that have torn the continent apart twice in a century to re-emerge.” I think they are re-emerging now because of what I regard as the sclerosis in Europe and the fact that the leaders of Europe are intent on following a blueprint set down in the 1950s that is not relevant for the world around us today.

I was at a meeting with Mario Monti in Bruges a few weeks before the last European elections. I said “At these European elections for this democratic European Parliament, about a third of European voters look like they will vote for parties that want either to leave the European Union or effectively destroy the European Union. How will you deal with that trend?” The answer was “That means two thirds are not; therefore we’ll continue in the same direction.” That is my fear: that those in charge are not listening. They are not seeing these trends in unemployment, social stability and ethnic tensions, with the rise of extreme parties across Europe. The leaders of the European Union are behaving as though nothing is happening.

Q302 Ann Clwyd: The Foreign Secretary said in a speech at Chatham House, which you are probably familiar with, that “none of our allies wants us to leave the EU. Not Australia, not New Zealand, not Canada, not the US. In fact, the only country who would like us to leave the EU is Russia. That should tell us all we need to know.”

Dr Fox: I do not agree with that. In any case, we are here to do what is in Britain’s national interest, not other people’s national interest. I have taken particular note of what has been said in the United States: there is no shortage of American political opinion telling us that we ought to remain in the European Union—an organisation that no American politician would ever tolerate. While all our friends around the world are entitled to their view, when it comes to some of them, particularly the United States—well, when it has an open border with Mexico, a court that can overrule its Supreme Court and a body that stops Congress from being the ultimate authority for federal law, maybe we can take more note of them.

Chair: Thank you very much, Ann. Daniel, I think you were going to aim most of your questions at Alex Salmond.

Q303 Daniel Kawczynski: Your partner in crime, so to speak—Sir Malcolm—talked a great deal about threats from Russia, about world war one and world war two and about the importance of collective response to those threats. I think he only referred to NATO once, at the end of his speech, but of course we are a member of NATO and, as Dr Fox has said, we are a permanent member of the UN Security Council and a leading member of the IMF, the G7 and the G20. Given our unique role in the world and our membership of all these bodies, why do we need another tier—the European Union?

Alex Salmond: I thought my partner in crime made a very fair point. The development in western Europe of first the European Community and now the European Union has had a significant role in keeping the peace, in particular between countries that had

a centuries-long history of fighting each other. Liam's father wasn't wrong in 1975 to see that as a strong argument for voting for the European Community at that time. NATO's central role, let us remember, was to protect the democratic structures against a Soviet threat—against a totalitarian threat from eastern Europe.

Malcolm also made another point: that the concession of sovereignty to NATO in many ways is much greater than the concession of sovereignty on foreign affairs at least to the European Union. After all, as part of the concession of sovereignty to NATO, we are now treaty-obliged to go to war in defence of another NATO country such as Turkey if it feels under attack from a variety of sources. The point that Malcolm makes is that it is difficult to understand how people who are so comfortable with that huge extension or release of sovereignty to NATO are so uncomfortable with a comparatively modest concession of sovereignty, certainly in the field of foreign affairs, to the European Union.

Q304 Daniel Kawczynski: We have all talked a little bit about our own experiences. I am the first Polish-born British Member of Parliament, and what has pushed me towards Brexit is the extraordinary intransigence of a country like Poland, despite everything that we have done for them over many years. If you could see the intransigence that they had towards our renegotiation attempts, you would be stunned. My argument is that this is not really a single entity of 28 countries. What it boils down to is that each individual country is only interested in itself and will work the system to maximise what it can get out of the system, rather than it being this utopian version with us all working together.

Let me give you an example: Spain has stated that it will do everything possible to prevent an independent Scotland from joining the European Union, because of course it does not want to give the green light to Catalonia or the Basque country to do that. How would you respond to that?

Alex Salmond: In the way I did during the referendum: by pointing out that that is not a reasonable description of the statements of the Spanish Government. In their official statements at least, the Spanish Government were actually very careful to point out the differences, as they saw them, between the case of Catalonia and the case of Scotland, not the least of which was that we were conducting a consented referendum. Their point about Catalonia was that it was not a constitutional process, by consent, for Catalonia to make a decision. However you regard the legitimacy of that view of the Spanish Government, they were not making the point that Scotland and Catalonia were the same; they were making the opposite point.

Of course, they were occasionally dragged into the Scottish constitutional debate, usually because the Prime Minister went across and asked them to become involved—a habit that he seems to be maintaining in this European referendum. I am not sure that is the wisest thing to do, because I am quite certain that what motivates people's decisions in this referendum is going to be less about what other people think about the decision and much more about the arguments deployed about what is in the best interests of this country and its people.

Q305 Daniel Kawczynski: Okay. Again, I remember that Sir Malcolm, your partner in crime, said, "The euro is never going to work properly". I remember writing it down. That is quite an astounding remark to make.

Sir Malcolm Rifkind: I said, “without a European Government.”

Daniel Kawczynski: Without a European Government.

Sir Malcolm Rifkind: That is why I am against the euro—Britain joining the euro.

Q306 Daniel Kawczynski: Right. So he is against the euro, but he said, “The euro is never going to work properly”, and I do not believe that there will be a single Government in Europe, so the rational extension of that is that the euro is never going to work properly. Bearing in mind that there are 17 countries using the euro and bearing in mind that the other countries—Poland and others—are obliged to join the euro, is it wise for us to continue this project, which Sir Malcolm says is doomed to failure?

Alex Salmond: Yes, but two of these countries have an agreed veto over joining the euro—one is the UK and one is Denmark—and the others have a practical veto against joining the euro because as a condition of being in the euro they first have to join the exchange rate mechanism, and joining the exchange rate mechanism is a voluntary matter. That is why these other countries—not just the ones that you mentioned but others with much more prosperous economies—are not in the euro. In that sense, you will not in practical terms be compelled to join the euro, and in the cases of the UK and Denmark, you cannot be compelled to join the euro.

Q307 Daniel Kawczynski: As you know, you and I have always got on very well and I am a great fan of yours.

Alex Salmond: I was hoping you wouldn’t reveal that until later on. You’ve already damned me by referring to my partner in crime.

Daniel Kawczynski: What I would say is that I know you have spent a lifetime fighting for the independence of Scotland and being accountable directly to the Scottish people. I have to tell you that there are real concerns if you go to a country like Poland, which I visit frequently and which lost its independence for over 50 years because of communism. They are really concerned about the European Union’s increasing interference in their domestic affairs.

One case in point is the interference over the changes the new Law and Justice party Government are making to the constitutional court. Another is the Polish Government’s determination not to accept the refugee quota that the European Union is trying to impose on them, because they think that they simply cannot cope with it. With all your passion for independence and therefore accountability to the people you represent, how can you justify the fact that a new sovereign nation, with a Government who have been democratically elected—by the way, this is the first time that any party has had a majority of its own in Poland since the fall of communism—is seeing this level of interference in its domestic affairs?

Alex Salmond: As you pointed out earlier, they were autonomous enough to try to block aspects of the Prime Minister’s renegotiation. Can I answer you this way? Let me say, you are one of only two Conservative friends I have in this place—I want to make that absolutely clear.

Sir Malcolm Rifkind: I hope you’re not going to name the other one.

Alex Salmond: It's meant to be you!

Chair: That's why he is not in this place.

Alex Salmond: A number of your witnesses have talked about their personal journey on matters of the European Union. I am old enough to have voted no in 1975. The most important argument I heard to change my mind was from Mary Robinson, the former President of Ireland—the Uachtarán—when she made a speech at the University of Glasgow in the 1990s. She said that, up until 1973, Ireland was “an island behind an island”, but that by “joining in the great European experiment we rediscovered our European roots and our place in the world.” That speech argued that, for a country such as Ireland, the process of joining the wider European experiment had given them more sovereignty rather than less.

Of course, every single country of the 28 in the European Union is going to have frustrations about aspects of European policy from time to time. I was a fishing MP in Banff and Buchan for more than 20 years; I know what frustrations about aspects of European policy are like. But most of the people I represent would favour the view expressed by Mary Robinson: that, for a small country, it opened up more possibilities, more dimensions, more practical delivery of influence and sovereignty than it restricted.

Europe, at least for many people in Scotland, is a bit like the weather: everybody moans about it, but not that many people want to abolish it. Those are the terms of the attitude we have. We're not arguing that we have a perfect institution, but we are arguing that we have one that delivers more freedom, more prosperity and more ability to influence the world environment than we would have if we weren't members. I am sure that that would apply to an independent Scotland, which you postulate. I think it applies to the UK as well.

Daniel Kawczynski: Thank you, Mr Salmond.

Chair: Daniel, I am afraid we have run out of time. That is the most extraordinary statement I have heard about the views of the Scottish people towards their weather—that they would actually want it to continue! *[Laughter.]* That is the most amazing claim made so far.

We turn now to Stephen Gethins, who I think is going to ask the bulk of his questions to Gisela Stuart.

Q308 Stephen Gethins: Thank you. Just for clarification, Mr Chair, the sun is shining in North East Fife today, so we're fine.

Ms Stuart, thanks to you and other colleagues for coming along today. I think in the past you have talked up the Norway model—you are one of the few proponents for Leave who has set out or talked about a Norway model.

Ms Stuart: When was that?

Q309 Stephen Gethins: Well, it was reported. Can you comment on this? The Prime Minister of Norway has said that a Norway model would not work for the United Kingdom. Why do you think she holds that view?

Ms Stuart: Because Norway is not the world's fifth-largest economy and Norway does not have the fifth-largest defence budget. It doesn't have a permanent seat on the UN or a seat at the IMF, and it doesn't have all the other things. You may have heard me talk about Norway in the sense that, were you to do a blind test on integration, you would probably find that, on many levels, Norway is more integrated. It is part of Schengen and we are not. My point is that, when you make these comparisons, you need to be very careful because this is an occasion where size does matter.

Malcolm Rifkind was saying these are three big countries and we have influence. I want to set down a few really important things. One is that, of course, countries within Europe relate to each other and work together, but until the United Kingdom joined the EU in 1973, countries had two models available to them. One was economic co-operation and the other was political integration. Once we moved down the road of political integration, we could continue a pretence that we could become integrated and not integrated and it would still work. Malcolm Rifkind has made it quite clear that that pretence has come to an end with the euro, because for the euro to work, you require European government. If the euro does not work, I quite frankly would not like to be around as we find that out.

We have to find a model which is appropriate for us. The model the United Kingdom will find will be different from Switzerland and different from Norway, but it will be a different model.

Q310 Stephen Gethins: You talked about integration and mentioned earlier our partnership with NATO. At the moment, we have the Foreign Affairs Committee discussing foreign affairs issues. Where do you see the difference lying? Why is it okay to be part of NATO but not to have the co-operation of the European Union, where, after all, the United Kingdom continues to have a veto? Do you not trust the UK Government in terms of their administration of that veto?

Ms Stuart: Again, let us define some ground rules here. There are bilateral relations and they unite in European Union relations. Just because, for example, two member states of the European Union co-operate very closely, as for example France and the United Kingdom did over defence and the St Malo agreement, they are bilateral arrangements and not European Union arrangements.

NATO is a voluntary alliance where countries have aspired to a level of spending, but NATO does not come back and say, "We are going to fine you because you are not spending the 2%," If they did, there are only three countries that do spend the 2%. While you have article 5, which is neutral defence, that calls on you to take appropriate actions. Interestingly, article 5 was only once invoked by NATO and that was in the wake of 9/11 in defence of the United States, the one thing which we had not anticipated. But NATO and the European Union are incredibly important in terms of having secured peace on mainland Europe. It was the two together, but they are kind of different relationships.

Q311 Stephen Gethins: Our partners in NATO are very keen on the European Union. In fact, the United States and Canada have been very enthusiastic about us remaining part of the European Union.

Ms Stuart: Have they applied to join?

Q312 Stephen Gethins: Well, there are other European partners. I'm not sure having Canada and the United States joining the European Union would necessarily be a good thing, but perhaps that is outwith the remit—that is another discussion. Of course, article 5 is quoted—invoked—in unusual circumstances. We can foresee when article 5 is invoked, that is its very point. Why do you think our NATO partners want us to remain part of the European Union, which has been the overwhelming evidence from partners across Europe that this Committee has taken when we were in Brussels and elsewhere? Why do you think they want us to stay within the European Union?

Ms Stuart: In 2003, I travelled extensively among the accession states, so extensively that I made myself little notes that said “Tuesday Latvia” to remember which country I was in. What was quite interesting was that in the run-up to the Prague summit the year before, the 2003 Prague summit, which would decide on the expansion of NATO, where Poland was already a partner, and the expansion of the EU, talking to the Estonians, the Latvians and all of those, to them membership of NATO at that point was infinitely more important than the membership of the EU.

I think there is this continued confusion which Mr Kawczynski explained on the subject of Poland. A number of countries did not fully appreciate to begin with the depth of the political integration that was required, because they thought it was a membership organisation.

Let's talk more widely than the NATO member states. Why do big businesses want us to stay in? Because they like big things. If you sit in NATO, you don't make a constitutional differentiation between bilateral relationships and EU relationships. You just like big units where you have to make just one phone call. But as I said in my introduction, I happen to think that democratic accountability is also really important.

Q313 Stephen Gethins: I'm really glad that you raised democratic accountability. On the member states issue, none of the NATO member states are looking to leave the European Union. Putting that to one side, you talked about democratic accountability in your opening statement. You said that the Government used to have debates before the Prime Minister went off to EU Councils. Is it the fault of the European Union that we are no longer having these debates?

Ms Stuart: No, it isn't. I used to raise it regularly with the Leader of the House on Thursday question time until I became a vexatious questioner. I kept being told that it is Back-Bench business. I am glad that you raised it. The reason why I mentioned it is that, among the great achievements that the Prime Minister brought back for this reformed European Union—except that the European Union hasn't shown any sign of having reformed itself—was this increased power to national Parliaments. This is not the forum, but I first negotiated that 12 years ago, and it wasn't deemed to be a great shot at that time. At the time when the Prime Minister is weakening the House of Commons and continues to do so in the way it takes part in decision making, he suddenly comes back and claims that he's given us new powers from Europe. Really?

Q314 Stephen Gethins: A lot of this comes down to the way that the UK has wielded its influence as a member state, rather than about the broader European Union. Do you think the

UK, as a member state, has wielded its influence well in the time of your Government or the current Government? You have the good fortune to have experience of both.

Ms Stuart: I think there was one period of British history in my lifetime when you had a British Government that genuinely deeply engaged in the European Union processes and wished to shape them, and that was the first years of the Tony Blair Government. The view of all the others was, “As long as the trade models are best.” They were reluctant companions. With the introduction of the euro, all of that changed. You could only go one way or the other. The Five Presidents’ Report, which charts out the plan for the next 15 years and the deeper integration requirements, says in the introduction that those countries that are not yet members of the euro are invited to join. There is no recognition that there will be, for the foreseeable future, a number of countries that are neither part of Schengen nor part of the euro. It’s a matter of simple arithmetic: if you are one versus 27, however much you wish to engage, at some stage you are just left behind.

Q315 Stephen Gethins: Sure. It is interesting that you said that you think that only one Government has engaged effectively on Europe, and we know that member states are important. My question time is coming to an end, so let me ask you one further question. You are an elected Labour party politician, and of course the social improvements that come from Europe are important to you: maternity rights and workers’ benefits have unquestionably come. Given that it’s unlikely that your party will be in Government—in London, anyway—for another decade, what do you think will happen to some of those advances that we’ve made as part of the European Union over the past 20 or 30 years?

Ms Stuart: Okay. It is undeniably true that a major reason why the Labour party in the mid-’80s went from being a highly Eurosceptic party—remember that the first election that Tony Blair fought was to leave the common market—to being positive towards it is because the Law Commission believed in a social Europe and gave us equal pay for women and all of those things. That was more than 30 years ago. You will only have a social Europe Commission, a social Europe Parliament and a social Europe Council if you’ve got a majority of left-wing Governments in Europe. If you look at the current figures, 50% of the Commission is EPP; the left-wing parties have 28%. In the Council of Ministers there is a right-wing alliance with a blocking minority. In the European Parliament, the right-wing parties have 50%, left-wing and environmentalist parties have 38.9%. I think, Mr Gethins, that what you have just made is the most articulate and powerful case for voting Labour back home.

Chair: Mr Gethins, thank you, you are well out time. I will now turn to Mr Holloway who will begin his questions to Sir Malcolm.

Q316 Mr Holloway: Thank you. Sir Malcolm, how do you respond to Liam’s point about the US urging on us things they would not accept themselves?

Sir Malcolm Rifkind: Well, first of all, we are talking about the future of the European Union so the United States is not exactly eligible for the European Union, but each country has to work out what are its national interests. America is the world’s sole superpower. I started by saying that, if it is the advance of your foreign policy, it is about power and influence. There is no country that has comparable power and influence to that of the United States. Someone recently described it as a super-doooper power.

We are not in that league and we are not going to be in that league again, so we must not be too nostalgic for the past. We are an important country—I would be the last to suggest otherwise—as is Germany and as is France. We were told earlier by Liam Fox that it is not going to be blocs any more. I was not talking about blocs; I was talking about China, the United States, Russia, India, each with about half a billion or more population. We are 65 million. It is obviously the case that the United States will not go for a supranational union. It does not need to have one. We are at a very different starting point.

Q317 Mr Holloway: What is your response to that, Dr Fox?

Dr Fox: I don't think it is a question of our size. I think it is a question of wanting to govern ourselves. Where I would draw the common thread is that the reason the United States would never join something like the European Union is not because it might dilute its influence but because it simply wants to maintain its concept of self-government and sovereignty. That is the same for me. I do not say that there are no potential benefits that could accrue in terms of size or economy of scale of being in a larger grouping. It is just that, for me, that is outweighed by the fact that there is a supremacy of law that lies beyond our own borders.

Sir Malcolm Rifkind: If I may make one additional point. This session today is about Britain's role in the world. It is how we are most likely to have power or influence in the world. It is not just about whether we govern ourselves or not and do not agree to supranational treaties. We have got to hear arguments that suggest we would have more power or more influence, or at least as much, by not being in the European Union than we do at the moment.

Q318 Chair: I used to work for someone who thought it was perfectly proper to trade influence for interest.

Sir Malcolm Rifkind: Yes, I still do. You are absolutely right, Mr Chairman. I think that the interests of this country do mean that, from time to time, we should be willing to say that there is something more important. If Mr Fox's position is that he is prepared to accept less influence in the world, less power in the world, in order to have complete national independence, that is an entirely logical position, if that is the one that he is putting, but that is not what the Committee is actually addressing. As I understand it, the Committee is asking us to consider whether our power and influence would be more or less if we were to leave the European Union.

Q319 Mr Holloway: Some years ago, I spent about a week living undercover at the Sangatte camp in Calais and I was astounded by the number of people from different parts of the world who were there. I visited the Jungle camp before Christmas and I left there thinking that the Syrian border is now basically at Calais. Do you think that the EU has handled the migrant crisis well?

Sir Malcolm Rifkind: I don't think it has handled it well; no, of course it hasn't. It would be absurd to suggest otherwise. There was an original mistake which was one of the reasons that I did not support the United Kingdom joining Schengen. It was perfectly obvious that the external borders of the European Union were not secure from any challenge. I do not

pretend that I anticipated the particular challenge that has emerged, but that was the problem with Schengen.

No, it has not handled it well but the problem itself would have arisen even if we had 28 states that were not in a European Union. If the European Union did not exist, there would be the same number of people flooding into Europe as we speak.

Q320 Mr Holloway: But is it not the case that when these migrants receive, say, German passports they will also be able to come and live in Britain?

Sir Malcolm Rifkind: First of all, it is actually pretty difficult to get a German passport. I have looked into this and it takes about 10 to 15 years in most cases.

Q321 Mr Holloway: Okay, then, in 10 to 15 years' time.

Sir Malcolm Rifkind: Whether they wish to flood into Britain depends on whether they have made homes in Germany and whether they have jobs in Germany. Over the next 10 years, those who are not going to return to Syria will, I suspect, have put down roots in what is one of the most prosperous countries in Europe, so there will be no obvious reason why they should wish to move to another country. That will be for individuals to decide.

Q322 Mr Holloway: Can I give you an opportunity to make us all concerned? If we do vote to leave, what do you think it will look like for the country over the following year? Do you think the Europeans will give us a hard time for doing so?

Sir Malcolm Rifkind: They wouldn't give us a hard time for doing so, no. The initial reaction in the first couple of weeks will be one of anger, frustration and irritation—all these sorts of emotions. But that will wear off. We will then have to embark on a series of extremely difficult and complex negotiations, not just with the European Union, but with every other country that the EU has a treaty with that we are part of at the moment, which we would have to negotiate separately as an independent country, not being able to use the treaty the EU negotiated on our behalf. We haven't negotiated treaties over the last 40 years on trade issues.

So there will be a whole series of treaties, none of which do we know at the moment how they would work out. We would get agreements at the end, but in any negotiation, the secret is to get the most important things you want and only to concede the things you don't mind very much about. Every other country is going to be applying the same criteria. When we are negotiating with the European Union, they will be saying, "Yes, we will let you into the single market"—at the end of the day, I am sure they will, I don't doubt that—but they will determine the terms. They will say, "Take it or leave it."

One of the things they will insist on, quite logically—so would we if it was the other way round—will be free movement of labour, because you cannot be part of the single market without free movement of labour. I have yet to hear the Brexit point of view give a coherent explanation of how migration will be helped by leaving the European Union when, as regards immigration from every other part of the world, we have complete control over that at the moment in Britain. There are only two things we don't have control over. First of all, free movement of labour in the EU, which we would still have if we were part of a single

market. Secondly, the European convention on human rights, which, as this Committee is well aware, has nothing to do with the European Union and which we will still be part of, unless we leave that as well.

Q323 Mr Holloway: Gisela, that seems a fair point, doesn't it? If we leave the EU, will we still have to have freedom of movement?

Ms Stuart: Well, there is this assumption that everything is up in the air apart from that the internal market and free movement of labour have to go together. No, they don't. Why are you assuming they are the same?

Sir Malcolm Rifkind: Because of Norway and Switzerland. They both had to concede like everybody else.

Ms Stuart: The second thing that I keep hearing is, "We have control over our border." We have control over our border to note who comes in, but there are actually an enormous number of people, if they are from the mainland European Union, who we cannot stop from coming in.

To Malcolm Rifkind's point about the German passport, he is absolutely right that the German passport is rather difficult to get hold of. But if you were to read last week's Frontex report, it tells you that there is a significant increase of "Albanian nationals often misusing Italian and Greek ID cards followed by Ukrainian nationals abusing authentic Polish ID cards." There are a number of forged documents which are going around there, so this notion that it is all hunky-dory and in control is, I think, mistaken.

Alex Salmond: Malcolm put his finger on the Brexit dilemma. In order to get a relatively rapid arrangement—an EEA arrangement like Norway or an EFTA arrangement like Switzerland—it is going to come with conditions, one of which might well be free movement of labour. If we take the alternative stance that none of these arrangements are suitable for Britain, then you are into the territory of unilaterally renegotiating not just the trade agreements with the European Union but individual trade agreements with the rest of the world.

I am perfectly prepared to accept that people exaggerate the difficulties of a negotiation where you basically say, "Nothing is changing." Yes, you could probably do that in two years. But to negotiate an arrangement where you tear that up and say, unilaterally, we are going to negotiate our trading relationships on a separate basis, both with each European country and with the rest of the world—to argue that that can be done in a short period is, to say the least, heroic. That is the dilemma. To do it quickly, you have got to accept the things that the Brexit people do not like, and if we don't do it that way, it is going to take forever.

Q324 Mr Holloway: Okay, Gisela, very briefly, as I would like to get one more question before my time is up, what do you say to that?

Ms Stuart: Article 50 is the beginning of a process. A British Prime Minister, just four months ago, thought that process was perfectly acceptable when he first called a referendum and then told us that, of course, we would be a very strong country outside it.

Now, if a British Prime Minister four months ago thought this was manageable, surely it is still manageable today.

Q325 Mr Holloway: Thank you. Sir Malcolm, a final question: what would it look like for us if we vote to stay in? Aren't we then up for everything?

Sir Malcolm Rifkind: No, we're not up for everything for several reasons. First, we are no longer committed to ever closer union. For me personally, and I think for most people in Britain, the main concern about our membership is whether there is an inevitable ratchet that is drawing us towards some sort of united states of Europe that we will not be able to resist. That has been my concern and the concern of many people in this country. That is no longer a risk because it has been expressly said, for the United Kingdom, that you will integrate in new proposals if you want, and if you don't want, you don't need to.

Secondly, on foreign policy, defence policy and the issues this Committee is addressing today, we don't even have that problem to start off with because there is no QMV. It all has to require unanimity and we can veto what we don't like. We can do more than protect ourselves; we can actually stop the whole of Europe agreeing on a foreign policy matter if we don't agree to it. That is power, not influence, and we would give that up if we left.

Q326 Mr Holloway: Given, by your book, the success of the concessions the Prime Minister was able to get out of Europe, including no longer having ever closer union, presumably you think that David Cameron will be the right person to conduct the negotiations if we vote to leave.

Sir Malcolm Rifkind: That is what is normally known as a hypothetical question.

Chair: Yes, I think that is slightly—thank you, Mr Holloway. Can I now turn to Yasmin Qureshi, who is going to begin directing her questions at Dr Fox?

Q327 Yasmin Qureshi: Good afternoon, Dr Fox. I will start by saying that I am not one of those who thinks that if we left the European Union or Europe, we are going to end up in all doom and gloom. I am not a believer in the fear project, but I am not a believer either in the suggestion that if we left, the outside world would be a land of honey and paradise because we are out of the European Union and we are free to be able to do things. So, I don't believe in the fantasy project, but I don't believe in the fear project either—that if we stayed our freedom and our sovereignty would go away.

I am talking to a lot of constituents on the doorstep. A lot of them are genuinely confused as to how to vote. Hopefully, our questions will be able to deal with that. I know the brief remit is our standing in the international community, but obviously linked with it are things like sovereignty and security issues, as Dr Fox has talked about. We have not talked much about trade, but I want to come on to that as well, because one of the arguments being used by those who say we should leave is that we would be free to have treaties with the Commonwealth countries and we would be able to have business arrangements with many other countries. Those are the kinds of areas that I wanted to explore.

The first thing I want to ask you, Dr Fox, is on what you said in your opening statement. I was a bit concerned about that, because it is the kind of argument that has been used by a lot of people—some people in the Leave campaign—and it is the sort of rhetoric that, I am afraid to say, Donald Trump has been saying as well in the USA. The suggestion is—being part of the European Union, because of Schengen and everything—that if migrants came in they would become a security risk and would cause mayhem and chaos in the whole of Europe. I have to say, I found that argument particularly offensive and it is the same one that Trump used in relation to Muslims. On what basis do you say that just because there is migration going on—especially at this moment in time—somehow those migrants coming in to either here, Germany or anywhere else will necessarily become terrorists and cause mayhem and threats to our country?

Dr Fox: Well, if that was the interpretation you took, it was certainly not the one I intended. The point that I would make is that the German authorities themselves, never mind the other countries in Europe, do not know exactly who the million-plus migrants who have arrived in Germany from Eritrea, Somalia, Pakistan, Afghanistan, Iraq, Syria and other countries are. They do not know whether they are genuine refugees, whether they are economic migrants, whether they might be sympathetic to more extreme political and religious views, or whether, indeed, there might be infiltration. The former head of Interpol actually said that the Schengen area was “an international passport-free zone for terrorists to execute attacks on the Continent and make their escape.” Those are not my words. There are genuine concerns about security out there.

My point is that we would not know, and to get a huge number of people coming is itself a risk. At the moment, of course, we are admitting them under a different policy, set out by the Prime Minister, but, although Malcolm says it takes 10 years to get a German passport, you can get a Belgian passport in under three. By the time people get any European passport, they have an absolute right to come here. So my objection is to the fact that we have no control over who comes in this process.

Q328 Yasmin Qureshi: That would make sense if, for example, this was linked with the issue of whether we are in the European Union or not. Schengen has been going for God knows how many years—it has been in existence for many years—so all these so-called migrants who are now being perceived as a security risk could have come 10 years or 20 years ago. What I am saying is, why is that part of the argument about whether or not we leave the European Union? That is really an issue of controlling your borders and carrying out all the checks. The issue of migration could arise at any time in the history of Europe or anywhere else in the world, so why is it being linked with the argument about leaving the European Union? I find that part of it puzzling.

Dr Fox: Because while we are in the European Union and while there is free movement of European citizens—that is, people with a European passport—any of them can come here. It is perfectly true that they could have come at any time in the past, but we have seen this mass wave of migration, and my contention would be that we do not know a great deal about the millions of people who have flooded into the continent in recent times. That provides us with an extra risk as long as we have free movement. The only way to stop free movement is to not be in the European Union.

Q329 Yasmin Qureshi: Yes, but Sir Malcolm just said that even with the other European Union agreement, the free movement of people exists anyway, so surely the question of who you have is really a security, policing and intelligence issue, as opposed to being linked to whether or not we come out of Europe.

Dr Fox: But while we have free movement, we have to allow people who are European Union citizens to come into the United Kingdom and settle.

Alex Salmond: Just a word about not seeing migration as this enormous threat or danger. I come from a country that has specialised in emigration and has benefited countless countries across the world. Where would English politics be without the glittering talents of Malcolm Rifkind and Liam Fox?

Sir Malcolm Rifkind: That's an argument for Brexit.

Alex Salmond: The refugees coming into Europe because they have been pushed out of their countries by war and conflict are, in many regards that I have seen, talented and skilled, and in many cases are middle-class people. If they decide to stay in their host countries, they will offer tremendous things to these countries. I do not like—

Dr Fox: But it should be our choice.

Alex Salmond: Well, Liam, you present these arguments as constant negatives, and I do not think it does you credit or that argument credit.

Dr Fox: Let me be clear. I have argued in many cases that from an economic point of view, you can argue that migration is a good thing, but my argument is that it should be our choice. Let me give it in a slightly different way—not from a security angle. We have had 1.164 million EU citizens settle in Britain over the last 10 years. That puts a lot of pressure on school places; it puts extra pressure on housing; it puts extra pressure on people's access to the NHS—the numerical problem—

Alex Salmond: Do you wish them to go home?

Dr Fox: No—it's there. I am saying that we may decide that it is good for us to have more or less migration into the country, but it should be our choice. It is the fact that we do not have the choice in the matter that I go back to. As I said in my opening remarks, for me it is about having control of our law, our borders and our money.

Q330 Yasmin Qureshi: The issue of whether you want to have people coming to work in this country or not, and whether you want to control that, is fine. What I am trying to say is that some—not all—of those who make the Brexit argument are using the migration crisis, which, to be honest, is of the world's making, and bringing the fear factor. They are suggesting that, if we were not part of the European Union, we would somehow not have all these migrants coming in—that there is somehow a security risk. I am sorry, but in my opinion that fear argument is not a very helpful or productive argument. If you want to talk about the fact that you don't want people coming in with free movement of labour, that is a different issue, but, with respect, trying to suggest that people coming in as migrants are all terrorists who are going to start killing people is not the right approach to take.

Dr Fox: I think the word “right” is a matter of opinion, but it would be irresponsible not to look at the full consequences. When you have the former head of Interpol giving warnings about it, I think the fact that you would try to dismiss the risk is not responsible if we are taking the debate in the round.

Q331 Yasmin Qureshi: I will come on to my second question, which is about trade. One suggestion has been that, if we are part of the European Union, we cannot get into negotiation with Commonwealth countries. But over the last few years, there has been a rapidly growing number of free trade agreements set up by the European Union with many of the Commonwealth countries, and they are benefiting directly and indirectly the United Kingdom economy.

Chair: We need a question.

Yasmin Qureshi: The question is this: there are those who say that it is somehow either the Commonwealth and the rest of the world, or the European Union. What do you say to the fact that over the last few years the European Union has been moving in a different direction, and we can engage in trade with other countries at the same time as being part of the European Union, so we are actually benefiting from both aspects: being in the European Union and trading with the Commonwealth?

Dr Fox: Again, my argument is that I cannot disaggregate the things that might be of benefit to us from the things that I am fundamentally opposed to, with the loss of sovereignty. On the question of trade, why do trade agreements get made? They get made because they are mutually beneficial. If the United Kingdom was outside the European Union and it was mutually beneficial for one of the countries you describe to trade with the United Kingdom, I think that trade agreement would come about.

I totally agree with what Malcolm said earlier: some of these arguments about the dire consequences—that our partners will gang up on us—are simply not credible, because the trade imbalance means that they actually require a free trade agreement with Britain, potentially even more than we require it with them. When trade is mutually beneficial, agreements will come about: that is how the real world works. When there is a supply and there is a demand in a market, they match each other. I am not saying that we wouldn’t have to work to potentially re-establish some of those trading relationships if we were outside the European Union, but I do not see that there would be any impediment to doing so.

Yasmin Qureshi: But I am not saying—

Chair: I am afraid we are a minute over, so I have to move on to John Baron now.

Q332 Mr Baron: Thank you, Chair, and thank you, everybody, for coming in. Can I pick up on something that Sir Malcolm said?

Chair: These questions will begin with Alex Salmond, and John will direct them as—

Alex Salmond: Begin with Malcolm, and shimmy to me.

Mr Baron: No, no, I am going to start with Malcolm. I will then share my thoughts with Alex.

Do you agree that there is a danger that the Remain camp talks Britain down in this referendum debate? I do not think you meant to do it, but, for example, you listed a series of countries, saying that there was no way we could compete on the international stage with them. One country you cited was Russia, which has a smaller GDP and a smaller economy than the UK's. If countries as diverse as Tunisia and Canada, for example, can have free trade agreements with the EU, and very profitable agreements at that, are we really saying that Britain is going to suffer by being in a similar camp? I don't think you are saying that, but is there not a danger that the Remain camp talks Britain down? You came close to it when comparing us to Russia.

Sir Malcolm Rifkind: I don't think that is at all justified. You have to be ambitious, particularly if you are involved in international negotiations, but you also have to be realistic. The issue is not simply whether at the end of the day you will get an agreement. Of course you will get an agreement, but it depends on how many concessions you are prepared to make in order to get that agreement. The question is what your negotiating strength is. If you are negotiating as a country of 65 million with a European Union that will still have 430 million and 27 separate countries, including Germany and France, the idea that these are two equals negotiating—I'm sorry, but that is not a real negotiation.

Q333 Mr Baron: But Malcolm, with respect, if countries as diverse as Tunisia and Canada can get agreements—

Sir Malcolm Rifkind: Yes, they get agreements—of course.

Mr Baron: They make free trade agreements with the EU—there is no acceptance by them of free movement of labour.

Sir Malcolm Rifkind: Of course not, but they are not in the internal market.

Q334 Mr Baron: At the end of the day, they have free trade agreements, and the point surely is that many diverse countries, far less powerful than ours, have very profitable trading relationships with the EU. I suggest to you there is a real danger that comparing us to Russia, which has a smaller economy than ours, is a complete and utter nonsense. It risks scaremongering.

Sir Malcolm Rifkind: Well, I think that comparing us to Tunisia may also be a little bit unwise. I pay compliment to the logic and consistency of what you just said, because if I have not misunderstood you, you said, "Let's forget about being part of the single market. Let's simply go for a simple free trade agreement." Yes, you are quite right: if it is simply free trade, which we have with many countries around the world, that is fine, but don't tell the City of London that that is going to benefit them. What we have at the moment are free goods and services. We have an open market. We can have British Airways opening an air flight from Paris to Berlin and the French can't stop us, as they tried to do and failed. If you want just a free trade agreement, like Tunisia, you will get just that, but not a single market.

Q335 Mr Baron: I do want to move on to Alex, but I would say this in response: the City of London is important, but we have to look at the British economy as a whole.

Alex, may I take you up on one or two issues? We have compared NATO to the EU. One accepts there has been, in one sense, a loss of sovereignty with NATO because we could go to war to defend another country, but we know what the downside is there. We know what our commitments are. Isn't the fundamental difference between NATO and the EU that the EU is an open-ended possible sacrifice of sovereignty?

The concession that the Prime Minister gained—the so-called red card—means that we have to gain support from 14 other countries before we can say no to a piece of unwanted tax, directive or regulation. It's like a football referee stopping the match and issuing a red card to a player, but before that can take effect, he has to go round and consult 14 other officials, by which time the game is probably over. It is a nonsense. That is the fundamental difference; it is open-ended sovereignty at stake here, and we cannot stop the erosion of that sovereignty.

Alex Salmond: Well, Malcolm made the point that the NATO alliance has joint operations and joint forces. He was making the point that, in comparison with the foreign policy remit of the European Union, there was a much greater concession of sovereignty to NATO than to the European Union. He then amplified that by pointing out that, by treaty obligation in NATO, you are obliged to go to war to defend another NATO country.

Mr Baron: I'm sorry, but you and I have been in the Lobby—

Alex Salmond: I'm coming directly to your point. That seems to me rather important. Going to war, it strikes me, is a hugely important decision, and therefore you have to accept the relative consequences of that sacrifice of sovereignty as well as your opposition to whatever—

Q336 Mr Baron: Okay. You and I have been on the same side of many of our foreign policy interventions. We have argued against war on many occasions.

Alex Salmond: Exactly. That is why I thought it might be a telling point.

Mr Baron: It is a telling point, but at least when it comes to NATO, you know what your commitment is. The difference with the EU is that it is open-ended. You accept possible loss of sovereignty over whole swathes of your governance, and that is the fundamental difference. You do not know what is coming next. If you cannot say no or stop any unwanted taxes, directives or regulations—which at the moment, we cannot, without leaving the EU—that is why, in many respects, the sovereignty has been salami-sliced over many years. Is that not the fundamental difference?

Alex Salmond: I do not accept that NATO has been in a static position. NATO was formed with the very explicit purpose of preventing the Soviet Union from invading western Europe. After 1999, it started to move into different spheres of operation, in Kosovo, the Middle East and elsewhere. It has become quite different from the original organisation.

On your second point, I would argue essentially that as the European Union is currently composed, a member state controls pushing the top 90% of its taxation. You don't control the VAT contribution, and you don't control the customs union elements, but you control the top 90s of your taxation. That is a very powerful and relevant exercise of sovereignty for a country within the European Union.

Q337 Mr Baron: Can I move on, if you don't mind? I appreciate the brevity of your answers on this; there are a few other issues that I wish to raise. Do you accept that there is not one example in the world where you have monetary union without fiscal union? If not, will you give me an example?

Alex Salmond: Well, if I remember correctly, there was a union between Egypt and Syria, but it did not last very long. The Benelux monetary union did not involve fiscal union, as I recall and remember it.

Mr Baron: Yes, but in the end it broke up, basically—

Alex Salmond: Well, yes, but it lasted 70 years before they jointly entered the European currency. I think that is a reasonable example, John.

Q338 Mr Baron: Okay, Alex, but history would suggest that there has been no long-term example of monetary union without fiscal union. If we accept that and that the EU is not going to be the exception to that rule, we have to accept that the eurozone is heading towards fiscal union, ever closer union. So to come back to a previous point, that we may not choose to belong to ever closer political union—we might even have extracted those words in the agreement, so we have some sort of agreement—the fact is that economic logic forces us down that road. Given the straitjacket that that will impose, whether we are in or outside the euro—the institutions in the euro will be forced to go down that road—why is it that you want to belong to an organisation that is, for example, in the global economic slow lane? Unemployment rates are much higher than they are here, and youth unemployment rates are approaching 40% to 50% in certain countries. Why do you want to belong to that club?

Alex Salmond: I have said publicly that I do not have the highest regard for many of the Prime Minister's renegotiation points—I think that their importance has been exaggerated—but when it comes to being forcibly brought into the euro, the Prime Minister's argument is that countries cannot be forced into the euro for two reasons: in the case of the UK, we have a veto that has been guaranteed on membership, and that is the same for Denmark, so it is not just because the UK is a large country, because a small country has the same thing; and, in the case of the other countries that do not have such a veto, they have the practical ability to object to being members of the exchange rate mechanism, which is a voluntary decision of these Parliaments. I see no sign of, or enthusiasm for, forcing them into that position. This idea of being dragooned into the euro, for those two reasons, is a fantasy.

Q339 Mr Baron: I am not necessarily saying that we would be dragooned, but you will find—this has been confirmed by civil servants in Brussels talking to us—that our position outside the euro, but inside the EU, is unsustainable, and that the institutions of the EU will eventually be geared towards achieving single currency and closer political, economic and fiscal union. Let me leave that and ask you one final point, if I may—

Alex Salmond: Civil servants that you have spoken to, who believe in the euro, obviously are going to say things in favour of the euro, but the practical reality is that you cannot be dragooned into the European currency.

Q340 Mr Baron: Hmm, it is a separate issue whether the institutions themselves—we are moving on this conveyor belt towards ever closer union—

Alex Salmond: Earlier on, Liam said that a vice-president of the European Union says something—it was a German Liberal, as it happens—and therefore it must be taken as holy writ. The European Union has more vice-presidents than the Bank of America. No doubt they all have differing views, but that does not make them vice-president of the Parliament, nor, for that matter, does it make that the view of the European Union.

Q341 Mr Baron: Okay. The final issue is fairness when it comes to the referendum. Do you think that there is a risk that the Government are playing with fire, in the sense that the more they wade in in favour of Remain—this includes the £9 million spent on the additional pamphlet—the more the referendum will be seen to be unfair, and therefore it will not put this issue to bed for a generation, which many of us hope that the referendum will do?

Alex Salmond: I stay away from generational comments these days, for a variety of reasons—

Mr Baron: With very good reason.

Alex Salmond: But I do not think that that is playing with fire. To make a comparison directly with the Scottish referendum, there is a quite legitimate argument that the Government have an absolute right to put forward their view—in my view—as a Government. We did that in the Scottish Government through the White Paper and the summary. But in the Scottish referendum, of course, there was a Scotland Office, which was putting out the opposite point of view. Someone should explain to me why the countervailing argument is not also being delivered through the letterboxes, as there was in that case. There were many other imbalances in the Scottish referendum, incidentally, but it wasn't imbalanced in the sense of official information that was coming to people. I think you have a legitimate grievance there. However, I would not describe it as playing with fire.

Chair: We have overrun. We now turn to Mike Gapes for our final set of questions, other than any I reserve to myself.

Q342 Mike Gapes: Thank you. Gisela, Liam Fox said that enlargement of the European Union was right and welcomed the expansion to the central Eastern European countries. Presumably, you agree with that?

Dr Fox: I said NATO.

Q343 Mike Gapes: I thought you also said the European Union. Maybe I misunderstood.

Ms Stuart: I thought it was a mistake to allow a divided Cyprus in. In terms of an enlargement process, in principle, it was right, but we can discuss where it might not have been entirely right.

Q344 Mike Gapes: Okay. Would you accept that the UK leaving the European Union might lead to problems within the European Union for those people who like us are not in the single currency? Is there a danger of the disintegration of the European Union following a UK vote to leave?

Ms Stuart: May I come back to the moment we gave any country within the free European Union a choice how to relate to its neighbours? I think there was a problem. You allow me to make a very important point. If the Prime Minister had come back with a deal from Brussels which had accepted in the institutional architecture that forever there will be some countries who are not part of the euro and some countries who are not part of Schengen, which will not just be the United Kingdom, but more than that, I would have said, “You know what? You may be able to make that work.” Go to the Five Presidents’ Report, “Completing Europe’s Economic and Monetary Union”, which is really important, because this vote is not about today; it is about five, 10, 15, 20 years ahead. If there had been any recognition in the whole document, I would have had a bit of hope, but it says: “The process towards a deeper EMU is nonetheless open to all EU Members.” In other words, the church doors are open, but there is no possibility for dissent. That is a problem.

The other thing I have a problem with is that in those areas in Eastern and central Europe—Mr Gapes, you know them better than I do—the Council of Europe has been really important because it managed to reach out to countries which were beyond the European Union borders. It managed to reach out to them in a way which was not always offering accession. I found it deeply depressing that the Ukraine deal ended up being voted down in the Netherlands and created tensions because we had run out of options on how to reach out to countries and help them develop with their democracies.

Q345 Mike Gapes: Can I take you on to that point? President Putin clearly did all he could to undermine Ukraine’s association with the European Union. He previously succeeded with regard to Armenia. Doesn’t the weakening of the European Union by a UK withdrawal undermine the democratic pillar which acts as a magnet for countries away from authoritarianism from the post-Soviet era and towards a democratic pluralistic Western European model? Although you have other arguments for why you are in favour of the Leave position, in practice doesn’t your position seek to undermine a democratic pole of attraction to people away from authoritarianism of the kind that you abhor?

Ms Stuart: I share your concerns about this part of the world. Last week, I heard about Nagorno-Karabakh attacks. I had a cold shiver going down my spine, saying something is brewing, which we as a European Union collectively or individually are not facing up to. But I find what you are saying to me quite extraordinary. It says that the only way these countries can develop is by ultimately aiming to be part of a supranational institution. If there was a failure of the European Union, it did not know when to stop the deepening and widening. There came a point when to go further would overstretch the demos and the institution.

Q346 Mike Gapes: In which case, are you opposed to the enlargement of the EU to the western Balkans?

Ms Stuart: At the moment, I want the western Balkans to be democratic, functioning states. The problem at the moment is not whether they have membership or not because, in areas like Kosovo, we still do not have functioning anything. We have got enormous problems with terrorism there, and if, at this stage, for them it is still the only show in town then, sadly, I would say that they have to make the decision what the right thing is.

Q347 Mike Gapes: My question is not about whether Kosovo joins next year or the year after but about whether Macedonia, Albania, Serbia and Kosovo have an aspiration to join that leads to democratisation and a more modern approach to their politics, as worked in Poland and elsewhere.

Ms Stuart: Mr Gapes, you are making the assumption that you cannot become democratic, liberal and economically successful unless you have an aspiration to join the European Union.

Mike Gapes: No, I am not.

Ms Stuart: Yes, you are. You are conflating the two.

Q348 Mike Gapes: No. I am making the assumption that countries that are European in culture and aspiration should have a right to be part of the European Union, just like other former states of Yugoslavia, such as Slovenia, which have done well in it.

Ms Stuart: I cannot recall saying anything that would deny them that right. If they are sovereign states who fulfil the criteria and they deem that to be in their best interests, they can apply and they will be accepted.

Q349 Mike Gapes: Can I move on to the Vote Leave document that was sent to us? I assume you had something to do with it, though I do not know whether you did or not. It makes the case, with support from some countries, that everything would be very smooth after we left. It quotes two Prime Ministers: one is the discredited former Prime Minister of Iceland, who represents a country of about 300,000 people; and the Prime Minister of New Zealand, which in global terms is a rather small player. It does not quote any others. Given what we just heard about the United States and major Commonwealth countries, such as India and even China, don't you recognise that in reality there is a major difficulty for the UK in leaving and that the international climate afterwards—not just our relations with our EU neighbours, but the complexities of our relationships with global countries of great significance—will be difficult?

Ms Stuart: I will make two observations. In my years of negotiations, particularly trade negotiations, I have never come across anything that is quite as hard-nosed as trade. Whether you like people or not, if the trade deal cuts the ice, it will be cut. There will be some people who draw their pensions and salaries from the Commission who will be displeased for a bit. The rest of the world will deal with whatever the situation is. The United Kingdom may occasionally have a view who they think should be the next President of the United States, but we work with whoever is elected—that is the world. That is a really important point that I tried to make at the beginning.

The second point is that if the British Prime Minister had not called the referendum at will—he didn't have to—I would not have joined with UKIP. However, he has called it and I am asked to look at my experience of what I think the best interest of the United Kingdom is in a once-in-a-generation vote and I arrive at the conclusion that it is our best long-term interest to leave.

Q350 Mike Gapes: What about the remarks the IMF made today in which they said that Brexit could cause severe regional and global damage—how do you respond to that?

Ms Stuart: My response is twofold. I think yet again they are undermining and underestimating the United Kingdom, and I think Mr Baron made that very important point. And there is a fair amount of groupie sentiment among some world leaders of supporting each other. The other point about the IMF is that there are moves that the European Union should take a collective place on the IMF. Of course, they would find it easier not to have the United Kingdom there and just deal with the EU, so they may have a bit of institutional self-interest here as well.

Q351 Mike Gapes: Your document says that the EU is attempting to silence the UK in the IMF. That clearly has not worked because presumably George Osborne has had influence with the IMF in order to get this statement today. You can't have it both ways, can you?

Ms Stuart: Well, I am not supporting what the Government's position has now become. The Government have now decided that, having called the referendum, they are for staying in.

There is another important point: when we sit at the international negotiating table, and when the EU negotiates on our behalf, we are limited in our influence and power unless the EU actually does what we want them to do. We are making a lot of noise about being strong collectively, and saying that we can stop things, but occasionally, if we have our own seat, we can actually make things happen that we want and they do not.

Q352 Mike Gapes: Final question on the overseas territories. Clearly Gibraltar—Fabian Picardo has made this clear—is very concerned that a British withdrawal would embolden Spain and mean that it would no longer have a voice to protect its interests in the European Union. There is also the question of the Falkland Islands and Argentina. The European Union has not taken hostile positions collectively, and that might change after a British withdrawal. Are you not concerned about the impact of a British withdrawal on our overseas territories?

Ms Stuart: Mr Gapes, we are both old enough to remember the last invasion of the Falklands, and we have probably been in the Falklands together at some stage. The United Kingdom successfully defended the Falklands on its own. It has defended Gibraltar on its own. I don't think that whether or not we are in the EU will affect that. Our overseas territories deserve our protection and they will continue to get it.

Q353 Chair: Thank you very much indeed. Given there are two former Defence Secretaries in front of us, I would like to ask a question of my own about the defence dilemma and the development of the defence dimension in the European Union. This comes on the back of my having had the joy of being in The Hague last week at the Inter-Parliamentary Conference on Common Foreign and Security Policy and on Common Security and Defence Policy, where, yet again, as parliamentarians we were invited to endorse conclusions and to create an operational headquarters for the European Union military.

There is 50 years of background to the attempt to create a European defence identity. You have the President of the Commission wanting the introduction of a European army, and that being the explicit position of both the German and Spanish Governments. At one level, there

is part of me that thinks that it would actually be a frightfully good idea if the continental Europeans got their defence act together and had much more defence product for the size of their economies, but there is part of me that thinks they are trying to reinvent the wheel by trying to push the European Union within NATO. I found myself as the lone voice making it clear that I was taking exception to this on behalf of the United Kingdom, and that no, I would not agree these conclusions unless they were within the Berlin-plus arrangements that tie them into NATO.

This is a ratchet and it is going in only one direction. The pressure is constant, and the moment we drop the ball, there will be enough forces in the European Union to want to have its own defence identity. If we weren't in, would that be a good thing, and if we are in, how do we get them to focus on NATO rather than trying to deal with the unwelcome distraction of this constant pushing for a European Union defence identity? Perhaps Malcom can answer first, then Liam.

Sir Malcolm Rifkind: I think you go to a crucial point to which I am very happy to respond. First of all, under current arrangements the United Kingdom has a complete veto. In fact, we are not alone: quite a number of other individual countries give priority to NATO with regard to all defence policy issues and do not see it being desirable or practical—

Q354 Chair: My experience was instructive, because I was the only one who was prepared to veto. Behind that were the Danes, who were prepared to abstain but didn't want to upset the whole conclusion, because there is a problem if you are not powerful enough or large enough to overwhelm the common will of the others.

Sir Malcolm Rifkind: Sure. That goes to the heart of the point. You are quite right that within the European Union there are a number of states who agree with the United Kingdom and prefer to shelter behind us, knowing that we will always veto any issue of that kind. You asked, Chairman, what would happen if the United Kingdom left the European Union. It would mean that the single most important country that will always give priority to NATO would no longer be there. That means that those forces within the EU—and there are some forces—who would like to move towards a European army and European defence at the expense of NATO would be that much more powerful within the residual EU. That is a very important reason why the United States is so unequivocal in saying, “For God's sake, Britain. Stay within the EU. We need you there in order to strengthen NATO, and to ensure that the EU does not believe that it can somehow supplant it.” So I am very happy to answer that question.

Dr Fox: I partially agree with some of that analysis, but I think that the US view is mistaken, because I think that the EU's defence pretensions actually undermine NATO. I think that they duplicate and divert scarce resources at a time when we can hardly allow or afford that to happen. I think it allows some European countries to believe that they have a soft peacekeeping alternative to the hard-edged war fighting of NATO. In fact, a former Prime Minister told me that he thought his country was more suited to peacekeeping than war fighting, and that is why he thought that the EU defence arrangements were so attractive. I pointed out to him that you can only be a peacekeeper if there is a peace to keep, and that sometimes requires you to fight and to die, and certainly to spend, for it.

This is the other point. When it comes to funding, of the \$900-odd billion budget of NATO this year, the United States is contributing \$665 billion. That is 72% of the budget from the US alone. The European Union countries within NATO contribute 24%, despite the fact that that is 500 million people out of 900 million, and if you take the UK's contribution out of that, it is only 17% that the EU countries that are members of NATO actually contribute. To go back to Mr Gethins' excellent question from earlier, which was "Why do so many European members of NATO want Britain to stay in the EU?" They want to keep Britain's budget in, because it adds to the EU's pretensions without adding anything to the strength of the alliance.

Q355 Chair: If the British veto was removed by Brexit, would it present the opportunity for the European Union to get its defence act together in the same way it is going to have to get its fiscal union act together if it is going to save its currency?

Dr Fox: Well, on an extraordinarily optimistic day, I might believe and hope that a British exit might get the old men of Brussels to change the direction of travel and update the 1950s roadmap into something that is more appropriate for today, and also that the European Union might realise that, if they want to have any sort of defence—they call it personality; I call it pretension—then they have to put their hands in their pockets. I am afraid the experience in recent times suggests that far too many of our continental European partners are taking a free ride on the American taxpayers, which I am afraid must have a finite lifespan.

Q356 Chair: One final question to Mr Salmond. Please rank these in order of priority: Scottish independence or British membership of the European Union.

Alex Salmond: Scottish independence first and British membership of the European Union second.

Q357 Chair: Thank you. I was interested to get that on the record. I want to thank our witnesses. Is there anything you want to say to pick up any of the points that have been made, with no more than a minute or two each?

Sir Malcolm Rifkind: I have to make one correction to what I said. It would not just be Russia that would welcome Brexit. Of course, Donald Trump would welcome it as well. Whether that is an argument for or against Brexit is for others to decide.

Ms Stuart: I have just a short observation. Mr Rifkind on a number of occasions mentioned the importance of the removal of ever closer union. In one session in the House of Commons I asked the Prime Minister whether he could name a single court judgment where ever closer union was the sole basis for the decision. He said he would write to me. He did write to me but he could not name one.

Alex Salmond: I've just got to add that Scottish independence and membership of the European Union are not mutually exclusive objectives, of course. The Donald Trump point is quite interesting, isn't it? Among the many things that Mr Trump has been saying is that he was going to have a 40% tariff war against countries. In that appalling scenario of his having the ability to do that, I suspect that I would rather be negotiating, since he is the master of negotiation as he constantly tells everybody, with the strength of a marketplace of 600

million people facing him than negotiating a bilateral agreement with somebody who is talking about 40% tariff barriers.

Dr Fox: I was really keen to answer Mr Gapes' question. If the United Kingdom left the European Union, would that provide a risk that other countries who were similar, for example outside the eurozone, would follow suit? I think the answer to that question has to be yes, initially, but without fundamental reform and change in direction and without consideration of the next generation of young Europeans, there will be a continued risk that, if Britain were to leave, other countries might decide to follow suit. I don't want the European Union to fail. I don't want to be within its judicial remit, but I don't want it to fail, because even if we are not a member we will still be affected by its failure. I would hope that a British exit would be a historic wake-up call to those who are in charge of the European Union before it's too late.

Chair: Thank you all very much indeed. It has been an excellent session.