



Select Committee on the European Union

Oral evidence: Progress of UK-EU future relationship negotiations

Tuesday 23 June 2020

4 pm

Members present: The Earl of Kinnoull (The Chair); Baroness Brown of Cambridge; Lord Cavendish of Furness; Baroness Coultie; Baroness Donaghy; Lord Faulkner of Worcester; Baroness Hamwee; Lord Kerr of Kinlochard; Lord Lamont of Lerwick; Baroness Neville-Rolfe; Lord Oates; Baroness Primarolo; Lord Ricketts; Lord Sharkey; Lord Teverson; Lord Thomas of Cwmgiedd; Baroness Verma; Lord Wood of Anfield.

Evidence Session No. 1

Virtual Proceeding

Questions 1 - 17

Witness

[I](#): Michel Barnier, Head of Task Force for Relations with the United Kingdom.

Examination of witness

Michel Barnier.

Q1 **The Chair:** Good afternoon, Michel, and welcome to your team. Thank you very much for agreeing to host this session on your WebEx system; it is enormously appreciated. This is a private meeting, but we are hoping to publish an agreed transcript as soon as possible, which I think would be helpful for all parties. We have a lot of Members present; in fact our whole Committee is present for a very rare event. I will call them in turn to ask their questions. Each Member will have up to three minutes to ask questions and then we will move on to the next Member. If, for any reason, I am knocked out of the meeting, Peter Ricketts, who you might know, has agreed to take over in the chair instantaneously so that we maintain momentum. Our Members will ask short questions, and I am hoping that questions and answers can be crisp so that we can get through a lot.

I know, Michel, that you would like to make an opening statement. We very much appreciate that, because we know that it will be concentrated information, which we will study with great care, and that you will have spent a lot of time preparing it, for which we are grateful. Perhaps I can invite you to open now.

Michel Barnier: Many thanks, Charles, Ladies and Lords, good afternoon to all of you. I will switch to French, not only to give proof of the culture of diversity that we need to maintain everywhere, but because it allows me to be more precise and specific in my responses.

[*Interpretation*] Thank you very much, Charles, for this invitation. I am very pleased that we have this opportunity to continue the constructive, transparent dialogue that I have always enjoyed with the House of Lords, particularly with you, Charles, and several members of your Committee, who I am very happy to know are present, even if I cannot see them yet. Very briefly, perhaps I could also welcome our Ambassador, who is also part of this call.

This is just a quick introduction to our state of mind at this crucial point in these negotiations, which are just a few months from their conclusion. I say, "just a few months", because the UK Government last week confirmed, through Michael Gove and at the high-level meeting through Boris Johnson himself, that they will certainly not be requesting an extension of the transition period—so no extension to the negotiating period.

We are limited by this timing imposed on us by the British Government, which we of course respect but which brings with it certain consequences. This means that, as we see it, we have four months to conclude an agreement and to finalise it, because after that, in November and December, we will need four weeks for ratification. That is essential for us. If we are to finalise an agreement on this future relationship, as is our intention, we need to do so before 31 October.

The second restriction confirmed by the British Government, which they are imposing themselves even though we were open to an alternative, is that, on 31 December, the UK will definitively leave the single market and will definitively leave the customs union, having left the EU definitively on 1 February this year. What we have to decide, during the time available, is really very straightforward, but very serious. Will the UK be leaving the single market and customs union with an agreement between us for a long-lasting relationship, or will the UK be leaving without an agreement? That is the point of these negotiations.

On Monday last week, President Ursula von der Leyen, under whose authority I work, President of the European Council Charles Michel, and the President of the European Parliament—so the heads of the three institutions on behalf of which I negotiate—quite clearly restated that what counts for us is the substance in this process, the substantive progress. They also confirmed that if there is to be further progress on the substance, it has to come from the UK, because as far as we are concerned the conditions for a final agreement are already well known. They were adopted solemnly on 17 October last year with the UK Prime Minister in what we have called the political declaration.

I am told, “The political declaration is not a treaty”. We are well aware of that, but it is the basis for the treaty. It is on that basis, as adopted by the UK Government and the 27 European leaders, with the backing of the European Parliament, that we have to negotiate an ambitious agreement, which we hope will cover not just trade—with the very unusual zero quotas and zero tariffs—but other sectors, including fisheries, energy, transport, research, security and defence issues.

On the other hand, on the basis of this unprecedented offer, we have quite clearly requested—and we feel that this has been accepted by the British Prime Minister in the political declaration—that the conditions for British access to our market of 450 million consumers and 22 million businesses, whether we are talking about goods, services, people, data, financial services, have to be fair. That is what it says in the political declaration, and that is a key document for us; it is absolutely essential. It commits those who adopted it. That document is not open; it has not been reopened for negotiation as far as we are concerned.

After these first four negotiating rounds—the next restricted round starts on Monday—we have seen a dual strategy on the part of the UK. That is very clear. You know better than I do that the UK has always been a very intelligent country when it comes to negotiations. I have learned to get to know you and respect you over several years, but I have to say that I find this approach unacceptable.

On the one hand, the UK, in each of the sectors, is asking for a status that is more or less equivalent to that of a member state for the single market, the customs union, Schengen, rules of origin, mutual recognition, financial services, professional qualifications, data flow and exchange of electricity. So you are actually asking for the advantages of being a

member state without having the limitations and the discipline. It is general cherry picking, and that is not acceptable to us.

The second strategy, which is equally clear, is that the UK wants to keep complete freedom to deregulate or to get involved in regulatory competition against us in relation to data, financial services and state aid. We are still waiting to hear what the UK's national policy will be. Then there is this completely surprising request that the withdrawal agreement be reopened to deal with geographical indications. That is equally unacceptable to us.

So we have a dual problem, if I can put it like that. We need the UK to understand very clearly that if it wants an agreement on all the subjects that were adopted in the political declaration, it has to remain faithful to the political declaration and not ask for other things that are quite clearly counter to European interests.

I have to say very frankly that it was not Europeans who asked to leave the UK; it was the UK that asked to leave the EU. So there is no reason for Europeans to sacrifice our economic interests—the interests of consumers on our continent—just to benefit British industry. There is no reason for that to happen, and it will not happen. We have to find a way of being more realistic, because we will never sacrifice our political and economic interests in the long term to benefit British industry.

Finally, I would like to raise just one other point which is parallel to but in line with the negotiations. Thinking about our future relationship, we need reassurance that the commitments that we have already entered into together will be respected. These commitments are found in the withdrawal agreement, which organises what I call the political and institutional Brexit. It is similar to a divorce, covering the issues linked to the separation. The withdrawal agreement is something that we follow very precisely, and Vice-President Maroš Šefčovič, who is the counterpart of Michael Gove, is responsible for that. We are very concerned about this.

In the meeting of the Joint Committee a few days ago, the British Government put forward a document with which you are familiar—a Command Paper—on the technical and operational implementation of the withdrawal agreement in Ireland and Northern Ireland. It is a very useful document and we welcomed it as progress.

Unfortunately, the operational and technical details are not contained in it. In particular, we still do not know how the UK plans to implement in detail the main elements of the protocol: customs, tax, VAT, duty, sanitary and phytosanitary arrangements, and fisheries. We made some progress on access to databases and IT systems, but that is not enough. We expressed this concern or expectation to Michael Gove and are looking forward to receiving clarification over the coming weeks. I am obliged to report to the 27 Heads of State of the member states and the European Parliament on the progress made.

So, Charles, for four years now I have been working with a lot of respect and patience, attentively but certainly not naively. I have been really firm about trying to achieve the most ambitious agreement possible between the UK and the EU, which is why the coming weeks—particularly next week but the weeks after that as well—will be decisive in setting the direction of this agreement.

The British Government tell us that they wish to reach the general outline of an agreement by July. That is very ambitious. That is their responsibility and their choice. They know what they have to do if we are to make progress in that direction. We are ready to do that on the basis of the principles that we adopted together in the political declaration. There you have what I wanted to say by way of introduction. Thank you.

Q2 The Chair: Thank you very much indeed for that very fulsome introduction, which did not disappoint at all and touched on many areas that I know will come up in the hour that we have with you, and on some areas that we have recently reported on.

We wrote a very lengthy report on the Northern Ireland protocol and the substantial amount of work that needs to be done there. I recognise that you have been immensely transparent with us over four years and that you have been an example to all people of how to communicate what you are doing as an advocate for your clients.

That said, it falls to me to ask the first question. Following the first four rounds of negotiations, and with this new intensified period, how do you feel things will change? Secondly, do you feel that your own mandate gives you sufficient room to move to a material compromise during the next month or so?

Michel Barnier: [*Interpretation*] Charles, perhaps you will remember the reply given by Jean Monnet, one of the founding fathers of the European project. He was asked, a bit like you are doing: "Are you an optimist or a pessimist?" Jean Monnet said, "I'm neither an optimist nor a pessimist. I am determined". That is my state of mind as well—determined to reach an agreement but not at any price, and certainly not at the price of European interests and the integrity of the single market.

Please understand that we will never sacrifice what is for us our main capital or asset—as it is for you too until the end of the year—in a world of global competition that is not at all friendly at the moment. This is our prime asset. We have constructed it over the past 47 years with significant UK influence. I was the Commissioner for the Single Market and we put together this free trade system. We are certainly not going to endanger this asset—this single market.

If the UK has understood the situation, as it has hitherto, as of next week, or perhaps in a few weeks—maybe not by the end of July but maybe a little later—we will be able to come up with the general structure of an agreement. That would then have to be finalised in legal terms, because this all needs to feed into a treaty. I am certainly very willing to

work intensively and to find the foundations of an agreement while respecting our political constraints.

The Chair: That is well understood. I ask Lord Sharkey to take up the questioning from here.

Q3 **Lord Sharkey:** Welcome, Mr Barnier. The joint statement after the high-level summit called for an understanding of the principles underlying any agreement. What is the rationale for this, and what do you understand the principles to be? Will they, for example, allow divergence from, or reinterpretation of, the political declaration?

Michel Barnier: *[Interpretation]* At no stage, at no juncture, in the joint statement do they do that. We say what we must agree upon. It is very simple. To have a treaty, you need to agree on the principles. We believe that we have agreed on the principles. That is the precondition for drafting a treaty. We believe we agreed this in the political declaration.

As I said in my introductory comments, that is not open to renegotiation. It was signed, having been negotiated line by line, word by word, comma by comma by Boris Johnson himself. I was there. He was warmly welcomed by the 27 Heads of State and Government. He was there to confirm his agreement to this text. This is not open to renegotiation. The principles are there. Words count. Words are commitments.

That is really all I can say. I have doubts sometimes, but I do hope that this point will be well understood. We must agree upon the principles, such as parallelism and all the different negotiating groups, but there is no question of reopening the substance.

Lord Sharkey: Thank you for that clear and concise answer.

The Chair: Thank you very much indeed.

Q4 **Baroness Verma:** Thank you, Mr Barnier. Given the Prime Minister's desire not to see negotiations going on until autumn or winter, may I ask your reaction to that? Was it discussed at your high-level meeting?

You said there is no taking into account the time needed to ratify a deal, and that the full legal text is needed by 31 October at the latest. Counting back from that date, what are the intermediate deadlines for the various stages of reaching agreement?

Michel Barnier: *[Interpretation]* Thank you for your question, Baroness Verma. It is actually an important question, because we have a very short period of time available. I said 31 October, because I have some experience with previous negotiations and treaties. A lot of work has been done to facilitate things, such as the co-building of this draft treaty with the member states.

I meet regularly with my team here. I am here with my deputy, Clara Martinez Alberola, and the director of the task force, Paulina Dejmeck Hack. They are here listening to you. They go to talk to the Ambassadors, or I go along myself. We go to the special working party in the Council,

which has been meeting up to two or three times a week for four years. I went along to the European Parliament myself three times last month.

We do this preparation, but it is the same for you in the House of Commons and the House of Lords. We are talking about institutions that are fully sovereign and we have to respect that. But two months for a ratification is still quite a short period, so it could be a few days longer for the negotiations, but, honestly, I think that 31 October is a reasonable deadline.

Then, if we count back, I think we need a global agreement on all the subjects that are open to discussion: the economic issues; the free trade agreement with the fisheries agreement and the agreement on a level playing field; transport-related issues, including all modes of transport; and internal security. We need an agreement on the general economy of this point, in September probably, so as to be able to keep enough time for the technical and legal fine-tuning. There is a lot of work to be done.

My team and I are operational. We are ready to speed up our work on the basis of the political declaration, but we will not be adding extra steps. We are ready. I just do not agree to what David Frost asked. I have a lot of respect for him, we have a very good relationship, but he asked for ongoing negotiations throughout July. He negotiates on behalf of the UK, and he has his own conditions, which I do not want to comment on, but I know the conditions under which I have to negotiate. At each stage, I have to check that I am still within my mandate and that I have unanimous backing from the Heads of State and Government and from the European Parliament.

All that takes work. I cannot negotiate on an ongoing basis. Between each phase of the negotiations, I said I needed three weeks. We are going to speed up, but I need some time to report back and check that I have the backing of those on whose behalf I am negotiating. There is no getting away from that.

I have given you as specific a response as possible. We are ready to work very quickly in July and early August.

Q5 Lord Wood of Anfield: Hello, Monsieur Barnier. I appreciate that you are determined to make these negotiations work, but I want to ask you about what happens if they do not. If, after the period of negotiations, there is no understanding or underlying agreement between you and the UK Government, will your preparations for no deal accelerate?

In particular, will you expect to reinstate the no-deal mitigation measures that were put in place before, in 2019, in the event of no deal? Will we see a repeat of that this year, or at the end of this year?

Michel Barnier: [*Interpretation*] Lord Wood, the no-deal option is not our preferred option; let me say that with absolute clarity. I have always worked for an agreement. I have a great deal of respect and admiration for your country. I regret Brexit enormously, but I respect it. We wish to put this together in an orderly way. What we did for the divorce, the

institutional Brexit, we must now do for the commercial and economic Brexit.

So we are working for a deal, but we do not need to speed things up. We are ready for the hypothesis of no deal. We have done a great deal of work with the member states, the stakeholders, on preparing a no deal. But the conditions will not be the same; we are not working on the same contingency measures as were provided for two years ago. We have been working unilaterally, as was our responsibility, on everything that could arise.

Furthermore, even with a deal, we must be ready for change. You are leaving the single market and the customs union. That will automatically have a mechanical impact on how this works. All products coming into the single market through the borders in Ireland, Belgium, the Netherlands, and France or elsewhere will have to be checked, which of course is not the case today.

We will check all products, because that is what protecting the single market, its consumers and companies is all about. If there is no deal, there would be tariffs and quotas on top of that, which would be very cumbersome and very complicated but we would have to do that.

We are ready, and we will be stepping up our communication on readiness for the changes. As I say, there will be changes on 1 January anyway, deal or no deal. We are working on updating some 100 sectoral notices so that ordinary people and companies are properly informed in the event that negotiations were to fail. So my answer to your question is yes.

The Chair: Thank you for that.

Lord Faulkner of Worcester: Good afternoon, Monsieur Barnier. Can I just follow up that answer a little and press you on the unilateral contingency measures which the EU may have to adopt to avoid a no-deal cliff edge? Those are the measures that were in place before the withdrawal agreement was concluded. How far would those same contingency measures be revived if an understanding on the principles underlying the future relationship is not found in the next few weeks?

Michel Barnier: *[Interpretation]* The conditions for this no deal are not what they were two years ago, Lord Faulkner. I will not go into great detail but, as we see it, the preparedness measures that we are taking unilaterally to prepare for this situation are not the same. I cannot go into more detail, but for us it is not the same subject.

Q6 **Baroness Donaghy:** Good afternoon, Monsieur Barnier. Given that the UK Government have decided that there will be no extension to the transition period, there will be precious little time for business and other stakeholders to adapt to post-transition arrangements. Assuming that a deal is reached, what mechanisms could be put in place to give businesses and others more time to adjust?

Michel Barnier: *[Interpretation]* It is now that we need to adjust, Lady Donaghy. Obviously I cannot speak on behalf of the UK or talk about the preparation of companies and stakeholders in your country; everyone has to accept their responsibilities. We have accepted ours. I have visited each EU capital four times over the last four years to meet trade unions, employers and national associations.

We have provided a vast amount of information. We have produced notices for all the different sectors, which we are updating. We shall be ready. We have recruited customs officers—750 in the Netherlands, 700 in France, close to 400 in Belgium and many in Ireland as well, because we will have to carry out checks on products coming into the European Union.

So we are ready. But, quite frankly, the possibility of having more time was the extension of the transitional period by 30 June. That was an option, but the United Kingdom has firmly rejected that. We were open to an extension, even a precautionary extension, in case of need, making allowance for one before 30 June, even if in practice we did not need to use it, or all of it. But the UK refused to do that, so that means that time is of the essence for the negotiations and for the implementation of the withdrawal agreement, which in all circumstances must be ready for 31 December, and for the preparations on the two sides in the event of no deal.

The Chair: Thank you. Apologies for the Division bells going here.

Q7 **Lord Cavendish of Furness:** Good afternoon, Monsieur Barnier, it is a pleasure to meet you. Will it be necessary for the EU to take a phased approach to border controls in 2021? I am thinking of those recently announced by the UK Government.

Michel Barnier: *[Interpretation]* I just want to be sure that I have understood your question correctly, Lord Cavendish. I am very happy to have the opportunity to answer your question via the screen. It is true that the other day the UK Government said that, as far as they were concerned, they could not or did not want to set up checks on imports coming into the UK. That is their responsibility.

We will not delay things. As of 1 January, all products coming in to the single market—coming from any third country anywhere in the world, including yours, because you are a third country—will be checked. This is covered by the customs code for the protection of the single market. These checks protect our consumers and food safety, for example. There are products from elsewhere in the world that we do not want to see in our market; they will not come in. There are consumer protection rules for checks on live animals and on products of plant and animal origin.

There are checks that are carried out for customs duty reasons or tax reasons, because these taxes are fed into the budget of each member state as well as the European budget. Then, of course, there are checks on companies, too, in particular against the risk of counterfeiting. I am

not just talking about the UK; I am talking generally. You know that counterfeiting destroys 250,000 jobs a year in the EU, so we check containers of products coming into ports and airports to fight against counterfeiting. We check that the products coming on to our territory respect European standards and rules.

From the point of view of these three—consumers, budget and companies—we have this obligation to carry out the checks. That is what we will be doing; we will be ready to do that as of 1 January, whatever happens.

The Chair: Thank you very much indeed for that.

Q8 **Baroness Couttie:** Good afternoon, Monsieur Barnier. I listened with interest to your opening remarks about your understandable position on protecting the EU consumer and business. As part of that, as I understand it, your negotiating position is that UK goods should continue to follow EU regulations, rather than recognising UK standards, and of course that we should follow the level playing field, which there has been much discussion about.

Are there any precedents in other EU trade agreements that enforce both those conditions, or indeed are there any trade agreements anywhere in the world that would enforce those conditions?

Secondly, if we were to accede to those requests from the EU, what impact do you think that would have on our ability to negotiate comprehensive free trade agreements with third countries?

Michel Barnier: *[Interpretation]* There was a problem with the sound at the beginning, Lady Couttie, so we did not really catch your first point about European standards. I apologise, but could you please repeat it?

Baroness Couttie: The first point was that I understand from your opening remarks your position about wanting to protect EU consumers and businesses. As part of that, as I understand it, you are requiring UK goods to continue to follow EU regulations, as opposed to recognising UK standards, which may or may not then diverge over time.

Combining that with the level playing field requirements, I wondered whether there are any precedents anywhere in the world in free trade agreements where these requirements are imposed and, indeed, what impact you think those requirements would have on the UK's ability to negotiate comprehensive free trade agreements?

Michel Barnier: *[Interpretation]* This is a very important question, but—and I say this with great respect for you and your country—you need to understand that it is not Europe that should bear the consequences of Brexit. You have taken a democratic decision, which we respect, to leave the European Union, the single market and the customs union, so your country needs to accept all the consequences of that choice. As part of the negotiating process, we must do everything we can to limit the consequences.

Brexit is lose-lose for everyone. No one has ever been able to demonstrate to me the added value of Brexit. I express that as a personal opinion while fully respecting your choices, but the consequences of Brexit must be accepted by your country. One of those is that you will be leaving 500 or 600 international agreements, which you would then have to renegotiate. All this has consequences.

In leaving the European Union, your desire was to enjoy regulatory independence—that was one of the main reasons for Brexit—but you must also respect our sovereignty, of course. It is the European Union, no one else, that will set the conditions for access to the European Union for products, persons, services and data. The conditions for access to our market will be set by us, in the same way that you will set the conditions for access to your market.

Sovereignty is a very important concept for me. I am a politician in the Gaullist tradition, where sovereignty is so important. Your sovereignty will be total at the end of the year. We have our sovereignty. The question is how we use our respective sovereignties to agree on a coherent regulatory approach and put into practice what was agreed in the political declaration: no tariffs, no quotas, no dumping.

Furthermore, any product that comes into the European Union must respect European rules and standards. We cannot have products coming via the UK from Thailand, the US or China that do not respect what we wish in our food market or our technical terms. We would not want such products to enter the European Union. The conditions are very clear from the outset and must remain totally clear.

In our agreement, I do not think the level playing field conditions will restrict the UK's capacity to conclude other agreements. All trade agreements have some sort of level playing field terms, depending on the countries involved. I say this without malice. I listen very carefully to what is said in the House of Commons and the House of Lords. The other day I read the negotiating mandate your Government had set for New Zealand and Australia—I also read the mandate for negotiations with the Americans—and I see things on which they do not want a level playing field with us, the Europeans. How is it that they want and demand a level playing field with Australia and New Zealand and are not prepared to discuss that with us? Every agreement has its own specific characteristics.

I do not know how well you can see the diagram I am holding; I think it is a bit hard to read. I will send it to you, Charles. It demonstrates the economic dimension. On the one hand, there is proximity to the European Union—countries are closer to or further away from us. There you have Canada, Japan, Korea and so forth, and the volume of trade we have. That is Norway and Switzerland, and that is the UK at the bottom there.

As you can see, the UK is in an altogether unique situation. No country is closer to or as important for us in economic terms. The countries up there are close but less significant in trade. More remote countries also have

lower trade levels. That is what is so important for us. This is an unprecedented situation by virtue of geographical proximity and the amount of trade involved. That is why the agreement we propose—ambitious, no tariff and no quota—will be based on rules of economic and commercial fair play.

The Chair: Thank you very much. We would be most appreciative if you could send that very interesting-looking graph to us in due course.

Q9 **Lord Oates:** Good afternoon, Monsieur Barnier. What prospect do you see for an agreement on the binding non-regression clauses? When Mr Frost spoke to us, he indicated that he saw a particular difficulty in that the proposed dispute resolution mechanism involved the Court of Justice of the EU. Is that the key stumbling block from the UK side, as you see it? Is there any flexibility over that?

Michel Barnier: [*Interpretation*] I am interested in what Mr Frost will have told you. I follow what Mr Frost and Michael Gove say to the House of Commons and the House of Lords. The non-regression clause was quite clearly negotiated and accepted by Boris Johnson, such as in the words I have here in front of me. This is the political declaration, and here is what it says on the level playing field: “These commitments should prevent distortions of trade and unfair competitive advantages”. That is the text of the declaration agreed by Boris Johnson. There you go; it is a very interesting document. It is easier to read than the withdrawal agreement—it is shorter—but very interesting.

In the same way, the non-regression clauses are important for British and European workers and citizens when it comes to social rights, the environment and so on. That is why we are trying to find the means of translating what we have in this text, a political declaration, into a legal text. That is the problem. We agreed on the principles, so now we have to translate it into legal terms.

Our problem with the Court of Justice is as follows. We insist each time that where there is a question of interpreting Union law, the applicable court of last resort must be the European court. It is essential for us that the Court of Justice have this role of interpretation to preserve the legal order of the Union. This is another principle recognised in the withdrawal agreement and the political declaration. I feel that the role of the Court of Justice in the legal text proposed by the Union reflects the high level of ambition expressed in the political declaration in all the fields in which co-operation is envisaged.

Another field where we need a reference to the Court of Justice, which you do not mention, is that of security and police and judicial co-operation. If we remove the reference to the Court of Justice, that means that we reduce the scope of co-operation. We have to be clear about what we want.

We have this issue with the interpretation of European law in particular when it is a question of protecting the fundamental rights of our citizens.

These fundamental rights are called into question when there is an exchange of personal data—sometimes very personal data, like DNA data. There, we are obliged to interpret EU law that protects our citizens with the Court of Justice.

I do not imagine that it would not be possible to find some creative solution to deal with these issues. We are open to being creative so that we keep various sides happy, but this is a very important and serious point for us.

The Chair: Thank you very much indeed, that was extremely interesting. We move to Lord Teverson.

Q10 **Lord Teverson:** Michel, you have been a Fisheries Minister in France; I have represented a number of fishing communities in the past as well, and we know how emotional and political an area it is, despite its relatively small size.

Britain is asking for annual negotiations and a concept called zonal attachment, whereas the EU seems to be asking for just a continuation of the common fisheries policy. It seems to me that this is a bit like the Middle East problem—before the current President of the United States—where everybody knew the solution but no one had the political guts to implement it.

What worries me is that we will end up in a similar situation where, because of less than 1% of the GDP of both our territories, we will end up not having an agreement there, which means that we do not have an agreement overall. Surely we must be able to avoid that somehow, can we not?

Michel Barnier: [*Interpretation*] Thank you, Robin, for what is a very important question. We both share the same commitment to this particular economic sector. It has its own particular economic importance in coastal areas, but great political importance as well, of course.

I recall that, for the European Union, things are simple and clear: the fisheries agreement that we want with the United Kingdom would be an indissociable part of the economic agreement on trade and the level playing field—or, to make it even more clear, there will be no trade agreement with the UK if there is no balanced agreement on fisheries. Is this balanced agreement the British position as it is? Certainly not. Is it the European position as it is today? Clearly not. We have two entirely contradictory positions. Our text today says that we will change nothing. You say—or the British Government say—“We are leaving the European Union, we are sovereign, and we want to change everything”.

If we both dig our heels in on those positions, there will be no discussion or agreement on fisheries and therefore no agreement on trade. That is not what we want. That is why I made an opening to the British side, three or four weeks ago now, to negotiate something between those two extreme positions on a number of parameters that would take account of course of the zonal attachment that the UK wants exclusively.

We must take account of that, but of other parameters as well: historic fishing rights, sometimes dating back many centuries; the economic interests of coastal fishing communities in the EU and the UK; and international rules from the UN on biodiversity. We would work on a number of parameters and see what a mix of these parameters would produce for the 100-odd species covered by the negotiations.

I am waiting with much patience for a reply from the British side. If there is no response, there will be no agreement on fisheries and no agreement on trade. That is not what I want. I am ready; we are ready. We will see what happens next week when discussing something between our two extreme positions.

On your question about the annual approach, it is just not possible. You can discuss fishing stocks regularly every year in the light of the scientific advice, so that we can protect resources and biodiversity, but negotiating access to waters and the fish in those waters every year would be impossible for 100-odd species. It is technically impossible for British fishers and for European fishers, too. To make sure that this is clear, we wish to discuss a balanced agreement, to get a reciprocal and balanced agreement, for the waters, the fish in the waters, and the markets.

The Chair: Thank you very much. Baroness Brown wanted to come in on this area as well, but unfortunately we cannot hear her. In that case, we will move on and I ask Lord Lamont to ask his question.

Q11 **Lord Lamont of Lerwick:** Good afternoon, Monsieur Barnier. I move to the area of financial services. It is a simple question: why can we not reach equivalence on financial services by, say, the end of July? Given the starting point of the base financial services industry, given the harmonisation that there is already, why would it be so difficult, at least in principle, to reach the idea of equivalence as the eventual outcome?

Michel Barnier: *[Interpretation]* I would just like to recall that equivalences in financial services, like adequacy decisions for data exchanges, are unilateral measures taken by the UK, on the one hand, and, on the other, by us on our side with regard to British institutions or organisations. There is no negotiation on that. This subject is not open to negotiation. Of course, we talk about co-operation in financial services, as we have done with Japan and Canada, but there is no question of negotiating on equivalence.

The process to grant equivalence is under way. We have independent processes involving the assessment that we need, so that when the time comes we will be able to grant financial equivalences, not right across the board, but in some 40 areas that are open to the possibility of equivalence and, in the same way, for adequacy decisions for data.

I am being quite specific here. I was, after all, commissioner responsible for financial services. Back then, there was a British journalist who used to say that I was the most dangerous man in Europe—I do not think I was all that dangerous after all, because of all the work that was done to

rebuild the necessary regulatory framework after the crisis. During that whole period, I was Commissioner for Financial Services and we granted equivalences to many American and Japanese financial sectors on a unilateral basis. We will, of course, follow the same approach with the UK.

I can confirm that, over the summer, this assessment process should come to an end. I just say, by the way, that we have sent questionnaires to the British authorities covering 28 potential fields for equivalence. As things stand, the directorate-general in charge of this in the Commission has not had the answers to this assessment process that we were expecting.

There is also a problem with equivalence in that it has to be prospective. We grant equivalence at a certain point in time, but we also need to know how British legislation is likely to evolve, whether it is likely to move away from EU rules. Financial stability on our continent is an essential issue for you and for us.

We will study attentively the paper that has been published just today by the British Government. That deals with financial stability and we will bear it in mind. We will work on the basis of that paper. I have not had the time yet to look at it, so I do not know what it contains, but we are ready to grant equivalence. The time for decisions is in the autumn, in good time, in the global context of our negotiations on many subjects with the UK.

The Chair: Thank you. I ask Baroness Neville-Rolfe to take up the running here.

Q12 **Baroness Neville-Rolfe:** Mr Barnier, it is a great pleasure to see you again. I remember well your work in the Commission, so you are very familiar with this area, and I welcome some of the things that you have said.

What is your assessment of the financial stability risks posed by UK central counterparties in the absence of an EU equivalence decision? This could affect not only UK financial services but the European economy and its businesses.

Michel Barnier: *[Interpretation]* Lady Neville-Rolfe, I am very happy to be able to continue this dialogue that we started at previous meetings. We are fully aware of the importance of clearing, as you have referred to, and I am well aware of the strategic place occupied by the City and the clearing infrastructure in London, which is currently being used at European level.

In a sovereign and independent fashion, we will adopt timely measures to ensure continuity of clearing. Vice-President Dombrovskis is responsible for this at European level in DG FISMA. That is really all I can say by way of a response.

Q13 **Baroness Primarolo:** Good afternoon, Mr Barnier. Perhaps I may return

to data adequacy, which you have already touched on. David Frost told us that there is “no doubt ... that we will be data adequate at the point of exit, because we are operating the same rules” as the EU 27. How do you respond to that suggestion? Given the importance of data adequacy, does your desire to have a full legal text of an agreement by 31 October necessitate decisions on data adequacy well before then?

Michel Barnier: *[Interpretation]* Baroness Primarolo, let me confirm first that we are negotiating a legal text on all these subjects. Many subjects, or at least several of them, are being negotiated at the wish of the UK and our own, in particular in the field of police and judicial co-operation. These things can be implemented properly only with data exchanges—as is the case with matters involving Europol, Eurojust, PNR and Prüm, which you are very familiar with. There are DNA exchanges and other such personal exchanges. There are other subjects as well on which the European Parliament is very vigilant, because these issues are linked to the fundamental rights of our citizens.

There is a practical link between the adequacy measures that we have to take on a unilateral basis—as we will do for financial services, as I said to Lord Lamont—and issues linked to police and judicial co-operation, which have to be in line at least in time terms.

When it comes to data adequacy, there have been four discussion series so far with the British authorities, the last of them taking place on 11 June on the paper that I have in front of me. Others will be necessary before the Commission considers whether to adopt its adequacy decisions.

We also need a positive opinion from the European data protection board as well as a go-ahead from the member states via what we call comitology. The systems in the UK and the EU are indeed quite close, as Mr Frost said, but we note that certain aspects of the UK system are changing and we are keeping a close eye on that, because we know that the relevant rules might change—this is the case for international transfers, for example. These issues have to be tackled.

Our challenge here is similar to that which we face in the field of financial services. We need clarity not only here and now, at the point at which we negotiate and give an adequacy decision, but clarity as to future developments in the UK—these are guarantees that we have to give for our citizens and our parliaments. We have to think about what rules will be applicable on 1 January next year in the UK before we take these decisions.

The Chair: I am sorry. There is yet another vote going on here in Westminster. I am sorry as well that we have overrun a bit. We have five colleagues still to do a three-minute slot. I would be very grateful if they were still able to do that, Michel, but I do not know what your diary says. I realise that it is past 6 pm with you.

Michel Barnier: *[Interpretation]* I was a Member of Parliament myself, so I know how important votes are. I can stay another 10 minutes or so, but I have another meeting immediately afterwards. I do not wish to lack courtesy towards those Members who have not yet spoken.

The Chair: You are very kind indeed.

Q14 **Lord Ricketts:** Bonjour, Monsieur Barnier. Très bien de vous revoir, même virtuellement.

You have just mentioned justice and police co-operation. That is surely an area where both sides have a clear interest in making sure that citizens are as safe in the future as they were when Britain was a member—Britain has been a major contributor. You told the Commons committee, when you gave evidence to it recently, that we had to find pragmatic solutions and that you thought that some movement was under way.

I am sure that you are right about pragmatism. Can you give us some indication of how the EU side would like to reach an agreement, particularly in the area of the Schengen Information System that is so central to police co-operation and of databases such as Prüm, which have so much speeded up co-operation on crime scene data between our law enforcement authorities?

Michel Barnier: *[Interpretation]* Lord Ricketts, I am also very happy to see you again in this rather new situation—it is rather different from our previous exchanges.

I have the utmost respect for the House of Lords, and for you, but I am sure you will understand that I do not wish to go into the details of negotiation. We have to be creative. The British side constantly asks me to be inventive and pragmatic—I am extremely pragmatic—but, yes, pragmatic solutions must be found.

We clearly share the same objectives for police and judicial co-operation. That has been very clear from the first four rounds, but there have been issues of substance on exchange of data, which I referred to in answer to Baroness Primarolo, the role of the Court of Justice, the European Convention on Human Rights, and the sustained commitment of the United Kingdom to respect all the valued commitments in that convention.

We must be pragmatic, and I can confirm that we are pretty close to agreement on the objectives. But, of course, the United Kingdom is no longer going to be a member of the single market nor has ever been a member of Schengen, so we cannot grant the same access to the database as to member states or in other Schengen countries. We have to find ad hoc solutions. I think they can be found, and we are looking for them so that we can come up with an operational agreement in the interests of ordinary people's security.

The Chair: I think you also know Lord Kerr.

Q15 Lord Kerr of Kinlochard: Bonjour Michel—it is very nice to see you again. To follow up exactly where you were with Lord Ricketts, with regard to the European Convention on Human Rights, we all know what paragraph 7 of the political declaration says. However, is not a pragmatic solution, which you talked about finding, possible if one envisages, say, a UK declaration that it reserves the sovereign right to abrogate the convention but has no intention of doing so, and an EU declaration that it reserves the sovereign right to cancel co-operation on security and justice matters if the UK were to abrogate the convention? Is that not consistent with paragraph 7 and a pragmatic solution? How fundamental is this problem?

Michel Barnier: *[Interpretation]* John, I am delighted to meet you again. When I read your words and hear you, sometimes it strikes me that it is a shame that you are no longer as closely involved in European affairs as you were at the time when we had those lengthy discussions on a European constitution.

What is important here is respect for the ECHR and the long-term commitment to that, and the different possibilities to invoke these rights before British courts. These things need to continue to underpin our relations, and this is linked to what I was saying to Lord Ricketts just now about police and judicial co-operation. Once again, I will not go into much detail. However, we have had the start of a constructive discussion on this, and next week and in the coming weeks we should be able to continue to move towards a pragmatic solution that will give the necessary guarantees to both sides. I am confident that we will manage that.

Q16 Lord Thomas of Cwmgiedd: Good evening, Monsieur Barnier. I will ask you about the EU's desire to have a single governance framework. My question has two parts. To what extent has this desire been influenced by your experience of Switzerland, and how do you answer David Frost's argument that your proposal is more appropriate for a country seeking to join the EU rather than one that has left?

Michel Barnier: *[Interpretation]* Thank you. Well, we have never previously seen a country leave the Union. None the less, whenever we negotiate an association agreement with a third country, we attempt to come up with an overall governance framework. That is particularly important, given that our future partnership with the United Kingdom involves negotiating in areas of co-operation that are very different and of which there are very many.

None of you have asked this, but Charles, in line with the political declaration, even at a late stage, we would be quite happy to open a negotiating round on foreign policy, security, co-operation, development, and so forth. The UK has refused to do that, which we regret very much, but there we are. So there are very many different areas of co-operation.

We want an ambitious and close partnership and we think that having a single governance framework guarantees consistency in the

implementation of agreements between the parties. It means that you can avoid the numerous development of bureaucratic committees, which I am sure you would sympathise with, and we would want this governance also to develop over time.

To be perfectly honest, we believe that what we did with Switzerland in different circumstances is not the right option. That has been the case for decades now. It is not a good model, which is why we are trying to negotiate a change with Switzerland.

The Chair: We have commented on the foreign strand, both in writing, privately and on the Floor of the House, so we have a lot of sympathy there. Penultimately, we move to Baroness Hamwee.

Q17 **Baroness Hamwee:** Good evening, Monsieur Barnier. I want to raise the issue of the rights of UK citizens in the EU and ask you what the Commission is doing to ensure that member states implement the withdrawal agreement. It occurred to me that one reason why we do not seem to have heard much about this is because the deadline is a year away, not six months, so there might be the danger of it being put on a shelf to be taken off and looked at later, although it is obviously of huge concern to individuals.

I also want to ask you about the citizens' rights Specialised Committee, reporting to the Joint Committee. There are well-organised groups of EU citizens in the UK and UK citizens in Europe, who are anxious to assist that committee as expert observers. Is there any possibility of that?

Michel Barnier: [*Interpretation*] That is another very important question. We have always said on our side and on the British side that the issue of citizens' rights was a priority, and that will remain the case as long as the rights that are consecrated in the withdrawal agreement are not entirely guaranteed and implemented for the citizens in question: 1.5 million British citizens in the EU and 3.5 million EU citizens in Britain. So you are quite right, and this was the subject of a discussion between Michael Gove and Maroš Šefčovič, our Vice-President, just a few days ago. We have seen that things are going quite well from that point of view.

On what you say about well-organised groups of citizens in the UK or in the EU giving their opinion, we could do that and will do so in the future. Tell them to get in touch with us if you have a connection with them. We have a lot of contact with citizens' organisations and we are ready to get more of them involved and to listen to them.

I know that there are still a few points on which we have to work with some countries, and of course we have until June 2021 for those residency requests to be sent in by British residents. However, 13 EU countries have a regime for the rights of citizens and 14 member states have another regime, which involves an application. In those 14 countries—in countries like mine or Belgium and so on—a residence permit is not compulsory. That is why there are certain issues. But we are keeping a very close eye on it. We want to be irrefragable in what we

do with our citizens, and we would like to see the UK being irreproachable towards the EU citizens who live in the UK.

This is for the Joint Committee, but we think that things are well under way. That is our analysis of things, anyway.

The Chair: Thank you. We certainly share those aspirations. Our last question comes from Baroness Brown. The technology is frustrating her. She has been sending messages and has listened to every word without her connection dropping off. That is one of those things.

Michel Barnier: It is also frustrating here.

The Chair: I know. If it is all right with you, Michel, we will send Baroness Brown's question to you as a written matter, because it would be very interesting to hear from you on it.

It falls to me to thank you very much indeed. I know you have to go. I also thank your two colleagues, Clara and Paulina, who I do not know but do know vicariously, because I know that they are highly regarded by the UK counterparts, who talk of them.

I also thank João Vale de Almeida, who has made such a strong impression on his arrival in London. He has been most kind to our Committee all round. I am not sure if he is quite back in London yet, but if he is I look forward to seeing him shortly in a socially distanced way.

Thank you also to the interpreting staff, who have been brilliant. The interpretation has been very clear and absolutely simultaneous, which is a miracle.

Michel, we look forward to seeing you again and we wish you and your team well in the forthcoming difficult months that you have ahead of you. I think all 500 million Europeans would very much like there to be a successful outcome.

Michel Barnier: *[Interpretation]* If I may, I will just make some concluding comments to thank you. I would also like to thank the interpreters, because without them I could not work in such a precise fashion.

I am also very moved by the appreciation you have expressed for Clara and Paulina, the task force team and our Ambassador; they have clearly made their mark. They are people of great competence, which is why they are in the positions they are in: because I need very competent people to work with me. I have been very impressed by the professionalism and competence of David Frost, his staff and everyone who is by his side. They are clearly extremely competent people. This negotiation, beyond the difficulties, is a very interesting period from a human point of view because of the excellent quality of the British team.

Thank you for this dialogue. I am very interested in continuing this with you and with all other national parliaments. Thank you very much indeed.

The Chair: Thank you, and goodbye.