

Exiting the European Union Committee

Oral evidence: The progress of the UK's negotiations on EU withdrawal, HC 372

Wednesday 20 June 2018

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Members present: Hilary Benn (Chair); Joanna Cherry; Stephen Crabb; Mr Jonathan Djanogly; Richard Graham; Wera Hobhouse; Andrea Jenkyns; Stephen Kinnock; Jeremy Lefroy; Craig Mackinlay; Seema Malhotra; Mr Pat McFadden; Mr Jacob Rees-Mogg; Emma Reynolds; Stephen Timms; Mr John Whittingdale; Hywel Williams; Sammy Wilson.

Questions 1997 – 2141

Witness

I: Guy Verhofstadt, Brexit Co-ordinator and Chair of the Brexit Steering Group, European Parliament.

Examination of Witness

Witness: Guy Verhofstadt MEP.

Q1997 Chair: Good morning. On behalf of the Committee, can I thank you, Mr Verhofstadt, for appearing before the Committee this morning? Guy Verhofstadt MEP is the Brexit co-ordinator and chair of the Brexit Steering Group in the European Parliament, and we have appreciated meeting you on our two previous visits to Brussels. We are very grateful to you for coming to appear before the Committee to give formal evidence today. As ever, lots of members of the Committee have questions they would like to put. Therefore, we have a lot of ground to cover. If you could keep your answers as succinct as possible, that would help us to bring everybody in.

I wanted to begin just by asking you bluntly how you think the process is going so far. What is it about what has happened or has not happened that has surprised you, given we are now in June 2018?

Guy Verhofstadt: I am not surprised by what is happening. This is a negotiation that is difficult, but it is certainly a negotiation that covers so many fields that it is normal that it will take some time and that we will encounter some difficulties. Do not forget what we are trying to do. A country has decided to leave the European Union after nearly 40 years of a relationship with the Union. A number of policies and relations have been established in these 40 years, and it is very normal that it takes time to undo that and to find the new relationship for the future.

Where are we for the moment? As you have seen yesterday, a common statement by the two negotiators has been published, in which they announced that on seven articles of the withdrawal agreement they have now found an agreement. You have that list: on Euratom, on intellectual property, on goods placed on the market and the rest of these seven outstanding issues. That means that there is consensus on more or less 80% of the withdrawal agreement now, but we have to recognise that there is still no agreement on two key issues: on Northern Ireland and, secondly, on governance. The governance of the whole withdrawal agreement is naturally a key issue. It is not a minor issue.

On the other hand—I will conclude here, Mr Benn—we are naturally still in attendance of a global position by the UK Government on the future relationship. If I understand it well, normally in the coming weeks the British Government have the intention to publish a White Paper. I hope that by doing their White Paper on the future relationship, they will be inspired by the resolution the European Parliament has already published and voted on a few months ago in March of this year. I hope that in this White Paper that they are going to publish, they will be inspired by the proposals we made three months ago.



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Q1998 **Chair:** Thank you very much indeed. Can I pick up on one of those issues, which is Northern Ireland and how we maintain an open border? We seem to be stuck at the moment, because the European Union's view is that the backstop proposal would apply to Northern Ireland only and, therefore, the inevitable consequence of that would be, in effect, a border in the Irish Sea. As you will be well aware, that is unacceptable to Northern Ireland; it is unacceptable to the United Kingdom; it is unacceptable to this Committee.

On the other hand, the United Kingdom's proposal was that the whole of the UK remains in the customs union, and the Government has acknowledged it will need to say something about regulation and the single market. We have seen the response there has been from Michel Barnier. At the moment it is very hard to see how those two positions can possibly be reconciled. How would you see the way forward?

Guy Verhofstadt: If I could answer this question, I should be rewarded by everybody, by both sides.

Chair: Give it a go.

Guy Verhofstadt: The backstop is the backstop. The backstop is only a solution if there is no other solution. The idea is not that the backstop is, "We have found the solution to avoid a hard border between Northern Ireland and the Irish Republic". No, the backstop is there if there is no other solution found in the framework of the future relationship between the EU and the UK. In defining the future relationship between the EU and the UK, we hope that a solution appears that is so good that it automatically solves the problem we have on the border between Northern Ireland and the Irish Republic.

It is only in the case that we do not find another solution on which we can agree that the backstop will be put in place. That is also what Mrs May has recognised in the letter she sent to President Tusk. Let us not make out that the backstop is the solution for Ireland and Northern Ireland. No, it is a fallback position if there is no other good solution that can be found.

Q1999 **Chair:** Indeed, and we all understand that. The question is: what form is it going to take? Is it unacceptable for the United Kingdom to say, "The backstop will be that the whole of the UK remains in the customs union as the backstop until another solution comes along"? The consequence of that would be that the whole of the UK is going to observe the rules of the internal market. That is one way of solving it. From your position, is that an unacceptable backstop from the European Parliament's point of view? If so, why?

Guy Verhofstadt: We prefer a solution that really avoids this border between the Northern Ireland and the Irish Republic instead of using the backstop. First of all, we hope we can find a solution on that issue. Secondly, regulatory alignment will be key in this, and it was not in the answer given by the British Government to the European Union.



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Regulatory alignment was a key element that was missing, because you cannot only have a customs arrangement; it needs to be accompanied by regulatory alignment. That was missing. Thirdly, a backstop is something that is a permanent system that is there that you do not use, while in the reaction by the UK Government the backstop was in fact proposed as a temporary system for one year. I have never seen a backstop that was used for one year and then it disappears. No, a backstop is a fallback position that you have in your pocket, I should say, and you hope never to use it. In my opinion, that is a backstop. That was not in the proposal of the UK Government.

I am a little bit puzzled with the way the UK Government now see that problem. If we follow their reaction on the backstop that is on the table, it could then be that there will be three customs arrangements in two years' time: the existing customs arrangements that we have now and that will apply during the transition; the so-called backstop proposal of the UK, which in their proposal was limited to one year, to the end of 2021; and then a new system, whatever the new system will be, based on the future relationship between the EU and the UK.

Concretely, that means there is going to be a lot of work to do by the customs authorities of Britain if we follow that path, because they are going to have three different regulations to apply in two or three years' time. We have to avoid that absolutely. Again, I am looking now to the White Paper. When the UK Government describe their idea of this future relationship, I expect that we will also find some answers to the questions you have put forward, Mr Benn.

Q2000 Chair: Let me try one more time on this point. If it ended up that the only way to give a backstop that everyone could rely on was that the whole of the United Kingdom remained in the customs union and applied the rules of the internal market for a period of time until another arrangement came along—because that is the only way of avoiding the other way, which is that it is only in Northern Ireland and there is a customs border between two parts of the United Kingdom, which is not acceptable—is that something that you think the European Parliament would be prepared to accept?

Guy Verhofstadt: No, only if there is also regulatory alignment.

Q2001 Chair: Yes, but if it included regulatory alignment.

Guy Verhofstadt: But that is not in what they have proposed. I am sorry.

Chair: I understand that.

Guy Verhofstadt: I can answer any hypothetical question you want, but we have to work with what is on the table, and what was on the table was not unacceptable for a number of reasons. First, the backstop they proposed was not a backstop, because it was only temporary; secondly, there was no regulatory alignment. It was lacking the two main elements



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to be acceptable, and that is the reason why there were critical remarks by Mr Barnier and myself when the UK Government published their proposal.

Q2002 Mr Djanogly: Good morning, Mr Verhofstadt. All sides seem to be saying that the political declaration on the future EU-UK partnership should be detailed. Is that possible to achieve in the time that remains?

Guy Verhofstadt: It is true that both sides want it to be detailed. It is in the interests of both sides that, when we have an agreement on withdrawal and on the political declaration about the future, we know what it means, or that we do not have surprises afterwards, I should say, when we are detailing these proposals. It is still possible to have for October/November an agreement on a political declaration, but for that we certainly need to speed up the negotiations in the coming months.

Q2003 Mr Djanogly: Clearly there are concerns in the UK that we might be handing over £40 billion under the terms of withdrawal without having a very clear idea of the future deal.

Guy Verhofstadt: But that is in the interest of nobody.

Q2004 Mr Djanogly: The UK Government repeat their mantra that nothing is agreed until everything is agreed. That would imply that there would be some degree of conditionality. Is that something the EU would accept?

Guy Verhofstadt: I do not talk about conditionality. Look to the wording of Article 50. It is very clear. Article 50 talks about the withdrawal agreement taking into account your future relationship. You cannot have a withdrawal agreement without also this political declaration. That has been our position from day one. For us, it is a withdrawal agreement including transition as a part of the withdrawal agreement and a political declaration on the future relationship. That is exactly what the wording of Article 50 is, so I cannot imagine that we only have one of these elements. You need them all on the table. Anyway, it is the European Parliament that has the final say from the European side on this agreement. They will request to see this political declaration and they will also give their opinion on this declaration.

Q2005 Mr Djanogly: The Secretary of State told us that much of the substance of the future framework could, in his view, be negotiated during the six months between October and March 2019. Do you agree that a future relationship treaty will be ready to be signed as soon as the Article 50 period finishes?

Guy Verhofstadt: I see it a little differently. The political declaration has to be a document that goes together with the withdrawal agreement; it has to be presented at the moment of the withdrawal agreement, even though we can still discuss whether it is an annex of the withdrawal agreement or not. Then at the European level we start the approval of this by Council and by the European Parliament.



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In my opinion and in my expectation, we can then start to negotiate what is in this political declaration; I take it that it will take more than a few weeks or a few months to do that. It will be necessary to use the whole transition period to detail this political declaration, because in any case, from our point of view—we will hopefully come back to this in the course of this meeting—we will need more time than three or four months to detail an agreement in which we will have close trade relations, economic relations, co-operation on internal and external security and then a whole list of thematic operations.

That is not the problem. That is the reason why, from both sides, there is the will to have a transition. You call it an implementation period; we call it a transition period. The word is not so important, but we are going to use this whole period to put the political declaration into a detailed agreement and put it into practice.

Q2006 Mr Djanogly: The problem is that business will not know where they stand and people will be worried that we will be paying money over under the withdrawal terms without necessarily having a deal signed.

Guy Verhofstadt: That is the reason why we say—this was the first point that was made—that this political declaration needs to be detailed. You have to be very realistic. It is impossible from now until October/November, or even February/March, to have the full detail on the future relationship. That is also not required by Article 50. What Article 50 requires is that we have an idea of how the future relationship will work.

I can tell you that not only the European Parliament but certainly all member states are looking for a very precise political declaration. Later on, in 2020 or 2021, we do not want to have any misunderstandings about what we have agreed on. Our aim or goal is to have a detailed political declaration that gives enough certainty to business and people and, at the same time, we will open the negotiation during the two or three years of transition to establish the detail of it. There is no misunderstanding of that on both sides. Both sides know very well what they have to achieve in these two years.

Q2007 Mr Whittingdale: Can I follow up some of the questions my colleague Jonathan has just put to you? The decision was taken very early on that the negotiation should be in two phases, but, as Jonathan has just been suggesting, there has been a view that there might be some conditionality attached to particularly the financial settlement, depending on the outcome not of the political declaration but the final outcome of the trade agreement, and that that condition might be inserted into the legislation implementing the withdrawal agreement. How would you view any such conditionality?

Guy Verhofstadt: As I already indicated in my answer a few moments ago, I do not talk in terms of conditionality; I talk in terms of the global agreement we have to achieve in October/November. That includes a



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political declaration. The political declaration has to be very precise on what our future relationship will be and it will give the certainty to both sides, certainly to everybody in the UK, what the future relationship will be. Then there is no need for conditionality.

Q2008 Mr Whittingdale: But the political declaration is an expression of intent; it has no legal standing. For some people, even though the political declaration might point in a direction that we are very keen to achieve, until we actually see the final form of the agreement, we believe there should still be some conditionality attached to the withdrawal agreement.

Guy Verhofstadt: That is the reason why a few moments ago I said that it is an open question as to where we are going to put it. You can put it as an annex of the withdrawal agreement. Then it becomes part of your whole withdrawal agreement, because then it will be an official annex of the withdrawal agreement. My personal view is that that would be the best way forward, but I have to recognise that there are people saying, "No, do not make it so difficult. It can be a political declaration that exists next to the withdrawal agreement". The best way to secure your concern is to make it an annex of the withdrawal agreement.

Q2009 Mr Whittingdale: That might go some way, but the suggestion has been made by Ministers that there might be conditionality applied to the withdrawal agreement depending on the final outcome of the trade negotiations, going beyond the political declaration. How would you view that?

Guy Verhofstadt: It depends on what they mean by "the final outcome of trade negotiations". In terms of that, our approach is that it does not only concern trade; it concerns the whole relationship. Secondly, does that mean they are going to wait two or three years? For me, the most important thing is what we achieve in October/November.

I believe that, in the good faith of both parties, what is agreed in October/November will be duly implemented later on in the two or three years afterwards. That does not mean all the work is done, but the main political agreement will be done in October/November. For you and for us, that will be a key element to say yes or no to the withdrawal agreement. I am repeating myself now for a third time: that is the reason we think it is absolutely key that it is a precise political declaration, so there is no misunderstanding of what the future relationship is going to be.

I hope we will have the possibility to explain a little bit how we see that future relationship, as we have expressed in our resolution.

Q2010 Mr Whittingdale: Can I just quickly ask you one other point? You have a longstanding record as being an advocate of closer integration of the European Union. To some extent, you must have regarded Britain as a brake on that process. For the last 40 years, every integration measure has been largely opposed by Britain. Is there a part of you that regards



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British withdrawal with a slight sense of relief, in that you can actually now move perhaps faster in the direction you would like to see Europe go?

Guy Verhofstadt: I still look to the Brexit decision as a failure of the European Union. If an important country such as the UK—a key country such as the UK—is breaking away from the European Union, it is difficult to say, “It is a success—fantastic!” I do not look at the outcome of this referendum in this way. It is a failure. It has opened our eyes in the European Union and it has accelerated all of the thinking about the reform of the European Union. That is true.

You also see that in public opinion. In public opinion what we have seen on the continent, if I may say so, is that after Brexit the European project regained popularity. I mean in the sense of, “Okay, maybe there are a lot of things that do not work very well in the European Union, but to break away is not a good solution”. In that sense, since Brexit there have been more debates on the reform of the European Union than we ever had in the years before. That is caused by Brexit. I still find the fact Britain is going out of the European Union a bad thing for Europe, for Britain and for everybody.

Q2011 **Mr Whittingdale:** You have always made that clear, but it remains your view that when you talk about reform you mean that what Europe actually needs is more integration and to continue further in that direction.

Guy Verhofstadt: It is more integration on some issues and less integration on other issues. It is no longer a question of less Europe or more Europe; it is a question of another Europe. The world order has changed, and Europe can bring added value on a number of issues. That is clear.

I will give one example: defence. The European Union can bring an added value there. That is not against NATO, but as, for example, the European pillar of NATO. If you look at the figures for what we spend on the military and what our results are, it is obvious that if we co-operate more intensively it will be better than what we are doing now for the moment. There I am for more integration, but on regulation of the internal market I have my doubts that we need more regulation. On the contrary, in some fields we need less regulation or another approach to the one we have today. I am only in favour of a more integrated Europe where you can prove an added value of this further integration.

To give you another example next to defence, take the migration crisis. We can only manage this migration crisis if we do it with European strategies and European policies, and not separately. It is not a question for me of more or less; it is a question of another Union, which will work differently to the Union that you have left.

Q2012 **Wera Hobhouse:** You have made it clear that it is not so much the word



"detail" but the word "precise" that you are after. Could you tell us, from the European Parliament's point of view, what this precision you are looking for is?

My second question is about what would happen if that deal was not negotiated by the end of 2018? Would there be enough time for the European Parliament to consider and vote on the withdrawal agreement if this precision on the deal was not there?

Guy Verhofstadt: The resolution I mentioned was a resolution containing 65 paragraphs in total. Even for the European Parliament, that is not a short resolution. In that resolution, we have described how we see that future relationship.

There are two elements to this when you are talking about what is precise. First of all, "precise" means what that relationship is, taking into account the institutional framework of the European Union. To what category does the relationship belong? It is no longer membership. No, that has to be clear. You are no longer a member of the European Union. What could it be? We think it has to be an association agreement that is foreseen in our treaties in Articles 8 and 217. On the one hand, that gives an enormous flexibility, because an association agreement can be very narrow; you can limit yourself only to trade, for example. In an association agreement you can be very broad. You can also put co-operation on foreign and security policy in it. It is flexible and precise at the same time, because you are going to create one governance structure and you are going to create not only one governance structure but also one cycle of ratification.

What I cannot imagine is that the outcome of all this will be that within two years, when we have the political declaration and we are detailing this, we have an inflation of agreements between the EU and the UK: one on trade, one on internal security, one on external security, one on Euratom, one on this and one on that. I cannot imagine that this whole bunch—excuse me for using that word—of agreements will be put in the ratification machine, if I may say so, of the European Union, including the member states. We will be in ratification and uncertainty for more than a decade, even two decades. To avoid that, you need a system where you have one agreement, which we call an association agreement, because that is foreseen in the treaty.

When I talk about an association agreement, do not think I am talking about Ukraine. I am not talking Ukraine. Ukraine is an association agreement, but association agreements are not Ukraine. An association agreement is a flexible instrument where you define the co-operation between the EU and a country, here the UK, with one governance structure and one ratification cycle. The advantage, Mr Benn, of an association agreement is that once it is approved by your side and by the European institutions, the Council and Parliament, it is applicable in advance; you do not need to wait for ratification by the other 27 member states, which can take some time.



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Yesterday I made an intervention in Vienna before the Fundamental Rights Agency on Brexit. I have the text here for you, the document I used for my intervention. I explained how this should work. It should have three layers: a layer of co-operation and a committee of senior officials governing that association agreement; at the ministerial level Ministers governing and managing that association agreement; and then at what I call the leadership level, i.e. the summits that will be organised in the framework of the association agreement between the EU and UK in the future. There we can be very precise. We have been very precise on what that has to cover: not only trade and economics but also internal security, external security and thematic co-operation going from Euratom to Horizon 2020 to Erasmus and so on.

Naturally, that does not solve all of the problems. If it could solve all the problems, it would be easy, and we would have a miracle before us. Inside each of these pillars, we now have to put content. How do we see trade and economic co-operation? How do we see the co-operation on internal security? In our resolution, we have been very precise on how we see that and how, based on the principles of the single market and the European Union, this could work. We want to go as far as possible, beyond membership, naturally, because you have this idea to be no longer a member of the European Union. We said, "If the single market is possible, why not? If the EEA is possible, why not? If the customs union is possible, fair enough. It is very good".

We are naturally bound by the red lines of the UK Government. When the Government are saying, "It is not possible to guarantee the freedom of movement of people", then automatically the option of the single market falls away. When the Government say, "We want full autonomy and full competence on trade deals; we want complete control on trade arrangements", then automatically the idea of the customs union falls away. If the Government say, "We do not want oversight by the ECJ", then other options are not possible. There are these red lines, and that is what we have tried to do: make an association agreement not impossible.

Q2013 Wera Hobhouse: You did not answer the question about the timetable. What would happen if we failed to reach an association agreement? What would happen then?

Guy Verhofstadt: If we fail to have a withdrawal agreement including a political declaration then you have the cliff-edge scenario everybody is talking about, and in my opinion we have to avoid that absolutely, because that is the worst solution for everybody.

Chair: That is very clear. Thank you very much.

Q2014 Stephen Crabb: Good morning, Mr Verhofstadt. You have said previously that the UK should have a continuing role in European security, but that it will involve political compromises. Can you expand upon that for the Committee this morning and give us a sense of what you think those compromises should look like—both on the EU side and



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on the side of the UK Government?

Guy Verhofstadt: First of all, there are two different things here: there is internal security and there is external security. Yesterday we talked—I think Mr Barnier proposed something yesterday along exactly the same lines—especially about internal security, where naturally the interest of both sides is to have close co-operation. This close co-operation will be a co-operation between the EU and a third country, the UK, as a chapter of the association agreement. This is the reason why I brought this document, because I described very precisely how it would work.

There are things that are possible and things that are not possible. For example, the UK side feels the European arrest warrant works very well. That is an added value of the European Union. The European arrest warrant, as you know, was introduced politically in 2001 after the 9/11 attacks. It was formalised and introduced into the European Union formally in 2004. Only Italy took a longer transition period of 10 years, so there it was only in 2014 that the European arrest warrant came in. Everybody says it is added value, because in the fight against terrorism and in the fight against organised crime, this is a very important and useful instrument. It is naturally impossible for the UK to say, “Yes, we want to stay in the European arrest warrant”. The European arrest warrant is the arrest warrant of the European Union, and as you are not part of the European Union you cannot be part of the European arrest warrant.

What we can do, and what we offered yesterday, is to make an extradition agreement where we do not copy classical extradition agreements as we have with a lot of other third countries but rather where we try to go as far as possible to have the flexibility that is in the European arrest warrant by shortening, for example, the periods that normally you have in an extradition arrangement. Those periods are not always flexible and they can take some time. They can take months and months. Let us shorten that—because it is impossible that the UK stays in the European arrest warrant—so we have a flexible extradition arrangement that has at least nearly the same good results as we have with the European arrest warrant.

Q2015 **Stephen Crabb:** Mr Verhofstadt, is the problem here not that your idea of compromise actually then puts on the table something that falls far short of what could be possible between the UK as a third country and the EU? When you talk about the language of compromise, all we are seeing on this side, from the UK’s perspective, is just this very hard application of cold logic about what it means for Britain to be a third country. That is leading us in a direction where we are going to have a much thinner security agreement than many people had hoped or envisaged, which will lead to suboptimal outcomes for European and British citizens.

Guy Verhofstadt: Yes, but you have to make a difference in politics between what is hoped and what is possible. I have enormous hopes,



but they are not always possible. I also have enormous dreams that are not always possible. What is not possible is that you say, "We are out of the European Union, but we will remain a member of Europol, we will remain a member of Eurojust and we will remain a member of the European arrest warrant".

Stephen Crabb: There is also Galileo and things like that.

Guy Verhofstadt: Yes, even going further than what you do today, because today Britain has a number of opt-outs in these policies, where they do not participate in these policies. Now what the UK Government are requesting is to participate in policies that the UK Government in the past have never opted in.

I then say, "I am sorry. That is not possible", but we need to find a practical arrangement. You are a practical people, I think. Britain is very well known for being practical and being efficient by being practical. We need to have a practical arrangement where we try to have nearly all the advantages of the instruments we use today, and even more of the instruments we use today, without saying, "Yes, you are out of the Union, but in any case that does not change anything. You can be in all the policies, all the agencies and all the co-operation of the Union". That does not make any sense.

Q2016 **Stephen Crabb:** Mr Verhofstadt, you said something very prescient a few moments ago about reflecting on Britain's decision to leave the European Union and regarding it as a failure of the EU. Following these negotiations, many of us get the sense that there is a failure of pragmatism, certainly on the side of the Commission and in the approach of the EU more generally to these negotiations. It is leading us in the direction of, and fuelling in this country a greater appetite for, a no-deal scenario, which is in nobody's interests. Can you understand that?

Guy Verhofstadt: Yes, but maybe if you were a little bit more flexible on your red lines it could also be a little bit easier. Do you not think so? That is what we have tried to do as Parliament. We see the European Union turning around its principles and we see you turning around your red lines. You can turn a lot of times like that forever.

What we have tried to do with our proposal of an association agreement is create a bridge between the red lines of the UK Government and the principles of the European Union. We have examined the idea of whether there a bridge is possible between the two positions. We think yes, which is based on this association agreement. This association agreement will be specific and very intense, certainly in all four of the pillars I have described.

Do not expect that it means that you are still a member. No, you go out, and then we see how we can do the damage control and how we can make a co-operation that is to the advantage of our citizens and our companies. That is the way we are looking at it. Do not say, "We go out.



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We have taken that decision. Oh, it is damaging the interests of our citizens and our companies. Now give us exactly the same as membership". That does not work. Everybody with some logic can understand that.

Q2017 Stephen Crabb: I just have one final question to ground this in a very specific example. You are talking about the need for flexibility on our red lines. What is the compromise that should be put forward from the UK Government side to enable, for example, full participation and benefit from the Galileo programme?

Guy Verhofstadt: In the Galileo programme there is a regulation, which was approved by the UK, on how it will work and how participation is possible for third countries, so we are going to apply that. We have a regulation on that. On top of that, the regulation was approved by the UK. It is not something we have invented ourselves.

Q2018 Stephen Crabb: Except we had a request turned down for participating in procurement arrangements.

Guy Verhofstadt: No. Our proposal is to foresee a partnership with the UK on Galileo inside the rules that we approved a few years ago and that we are going to apply. There can be no misunderstanding on that issue. Yes, it is a good example of how far you can go, and what is possible and what is not possible.

Q2019 Joanna Cherry: Good morning, Mr Verhofstadt. Picking up on Stephen's questions there, as I understand what Mr Barnier said yesterday, the reason why the UK cannot leave the European Union and remain part of the European arrest warrant is that we are leaving the jurisdiction of the court, we will not have the Charter of Fundamental Rights and we will not have free movement. These are all fundamental things that underpin the European arrest warrant. That is correct, is it not?

Guy Verhofstadt: Yes.

Q2020 Joanna Cherry: If we wanted to be in the European arrest warrant, we would have to make ourselves subject to the European Court of Justice and the Charter of Fundamental Rights.

Guy Verhofstadt: Indeed, yes.

Q2021 Joanna Cherry: You said earlier that staying in the single market and the customs union would be an option for the United Kingdom, depending on what our red lines are.

Guy Verhofstadt: Indeed, yes.

Q2022 Joanna Cherry: You are familiar with this document, *Scotland's Place in Europe*, which was produced by the Scottish Government in January 2016. Mr Verhofstadt, you are familiar with the fact that Scotland voted 62% to remain. What the Scottish Government have done in recognition of the fact that England and Wales voted to leave and Scotland and



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Northern Ireland voted to remain is to propose a compromise whereby the whole of the United Kingdom would stay in the single market and some form of a customs union. Are you aware of this proposal, which was put forward by the Scottish Government?

Guy Verhofstadt: Yes. There is no opposition from the European side if the proposal comes to Brussels.

Q2023 **Joanna Cherry:** That would solve the Northern Irish border problem as well, would it not?

Guy Verhofstadt: Exactly, yes.

Q2024 **Joanna Cherry:** On the day after the Brexit vote, which was almost two years ago, you tweeted about how it was wrong that Scotland might be taken out of the European Union when it voted to stay and that you would be happy to discuss this with Nicola Sturgeon. We all know you have met the First Minister of Scotland Nicola Sturgeon since then. Can you just elaborate what your feelings are and what the views of the European Parliament are on the fact that Scotland voted to remain but the citizens of Scotland are being taken out of European Union against their will?

Guy Verhofstadt: I have tweeted about it, and so I stay behind my tweet, which is already an enormous achievement. It is obvious. Everybody sees the contradiction between people who have voted against and are nevertheless, because of the institutional structure of your country, obliged to follow a decision taken by a majority. That is the way Great Britain is organised.

We will not—I have said this from day one—interfere in the institutional debate in Britain. That is not our responsibility; it is your responsibility. That is a consequence of the institutional set-up of Britain. We have to recognise that for a number of people it has consequences, and they are bound by a decision they have not taken and that their region, or their nation—I do not know what word is most accurate—has taken.

Q2025 **Joanna Cherry:** You also said in the aftermath of the British European Union referendum, “If Scotland decides to leave the UK and be an independent state and they decide to be part of the European Union, I think there is no big obstacle to doing that”.

Guy Verhofstadt: Did I say that?

Joanna Cherry: Yes.

Guy Verhofstadt: Where is that? I do not remember a tweet about that.

Q2026 **Joanna Cherry:** It was not in a tweet. It was reported in September 2016 in the major Scottish newspaper, the *Daily Record*.

Guy Verhofstadt: Anyway, I will repeat what I said: I will never, as a negotiator and a co-ordinator for the European Parliament, intervene in



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the institutional setup of any of the countries involved in this, and certainly not in the UK. I can understand a lot of these opinions that are expressed in Scotland, but it is not us who have to deal with it or to use or abuse them.

Q2027 Joanna Cherry: On the floor of the European Parliament, has any concern been expressed about the fact that people in Scotland are being taken out of the European Union against their will? Has concern been expressed on the floor of the Parliament by parliamentarians?

Guy Verhofstadt: Yes. It is true: there is a huge concern about that. That is expressed in the plenary in every debate we have about Brexit and every debate we have on the resolutions we have adopted. I have to tell you that the resolutions that the Parliament has adopted have always been also supported by the people you are referring to.

Q2028 Joanna Cherry: Just to summarise, the Parliament favours an association agreement.

Guy Verhofstadt: Exactly, yes.

Q2029 Joanna Cherry: But if the United Kingdom could bring itself to follow the compromise suggested by the Scottish Government of staying in the European Economic Area and a customs union, you would see that as a solution for the whole of the UK and also for the Northern Irish border problem.

Guy Verhofstadt: There will be no objection from the European side in any way if the UK Government go in such a direction.

Q2030 Joanna Cherry: Integral to that would be accepting the jurisdiction of the Court of Justice and the Charter of Fundamental Rights.

Guy Verhofstadt: Yes, indeed. That is one of the red lines of the UK Government for the moment.

Q2031 Richard Graham: Welcome, Mr Verhofstadt. In terms of the withdrawal agreement and the political declaration that goes with it, all of us have agreed that there should be as much detail as possible.

From your point of view, are the key elements of the detail fundamentally already agreed between the European Parliament and the European Commission? Do they fundamentally reflect Michel Barnier's chart of the four pillars? Alternatively, have you been able to take forward the discussion we had briefly in Brussels on our last visit about the potential value, for example, of a pillar that encompasses financial stability and, therefore, financial services as well as the four pillars Monsieur Barnier uses?

Guy Verhofstadt: Our approach is completely in convergence with Michel Barnier. He is working on two bases; his mandate is based on two elements. Those are the guidelines that are approved by the Council, which are precise and general at the same time, and they are in any case a lot shorter than the position of the European Parliament. His second



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element is the resolutions of the European Parliament, and four resolutions have been adopted. Those elements are the source of his mandate. For that reason, you see that our proposal goes in exactly the same direction as Mr Barnier's proposal: it has this four-pillar approach of internal security, external security, thematic co-operation and trade.

On your second question about financial services, I see that as a part of the trade and economic co-operation. It has to be solved and treated inside that first pillar.

Q2032 Richard Graham: On the trade and economic pillar, would you expect detail on, for example, mutual recognition, services arrangements, financial stability, regulatory co-operation and so on? Would you expect to see that sort of detail there?

Guy Verhofstadt: I know that many people talk about mutual recognition, but that is not the way we see it from the European side. Let me give you the example of financial services. We see regulatory equivalence as the way forward for financial services.

Q2033 Richard Graham: What do you see as the difference?

Guy Verhofstadt: If I can explain the concept a little bit, regulatory equivalence means that Europe—also because of our concern for financial stability—is making its regulation and is seeing whether, on the other side of the Channel, there is similar regulation for some financial products. If that is the case, we can allow these products to come to the continent without any problem. This is always with the possibility from the European side, when this is no longer the case or there is some other external element, to stop the authorisation of financial products coming to the continent.

That is the way we see it, and we call that regulatory equivalence. We decide on our regulatory framework on financial services. If we see there is equivalence on the other side of the Channel, it gives us the possibility to authorise products coming mainly from the City of London to the continent, but always with the possibility for the European Union to stop these authorisations. That is the way the Commission, Council and Parliament are, in a unanimous way, looking to solve the problem of financial services.

Q2034 Richard Graham: So the difference between regulatory equivalence and mutual recognition seems to be fundamentally about the starting principle. Mutual recognition is that we respect the regulatory environment of a nation and we trust them if they say that X, Y or Z company is a solid company to market those products in our nation, and vice versa, whereas regulatory equivalence seems to be more about demanding precisely the same rules and regulations rather than trusting each other's regulators. What do you see the difference as being?

Guy Verhofstadt: Equivalence is equivalence. That does not always mean that it is identical. That is the reason why we use the word "equivalence". But yes, it guarantees the autonomy of the European



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Union and European legislators. That is what we are looking for: that in a mutual recognition process we do not give up our capacity to regulate, certainly not in financial services. That is the main difference, yes.

Q2035 Richard Graham: Within the political declaration, the positions of the Parliament and the Commission are fundamentally identical at the moment. What are the areas where you might anticipate the European Parliament taking a different view? For example, have you been able to resolve potential differences in your views on citizens' rights? You have been very strong—and a number of us have been very encouraged by this—on the ability of Britons working in one country in Europe to be able to transfer and work in another without—

Guy Verhofstadt: Yes, that is what we call the onward mobility of UK citizens living on the continent. In the first draft of the withdrawal agreement, a few months ago, the problem was foreseen that onward mobility is purely an issue for member states, and that member states could in fact limit onward mobility by requesting that UK citizens moving to another country needed to have other permits. In a joint effort with the UK Government, the European Parliament was able to take that out. In the last drafts, as they stand today, you do not find this provision anymore. That was very important.

Our goal is to guarantee onward mobility for UK citizens in the final draft and the final agreement. Whether that is part of the political declaration or the withdrawal agreement itself is not so important, but I want to achieve that. For the Parliament it is impossible to agree with an agreement in which the onward mobility of UK citizens is limited to one country, because that is in contradiction with the essence of the European Union. We are going to fight for this. We won the first battle by taking the opposite out of the text, and we are going to go further in that direction. I can assure you of that.

There is another issue linked to that, which I will certainly discuss this afternoon because I am also invited by the Home Affairs Select Committee to testify. We are fighting—and we have not concluded yet—on the best procedure to guarantee citizens' rights for our EU citizens living in Britain after withdrawal, but it is obvious that we also need smooth procedures for UK citizens in the remaining 27. Our goal is to scrutinise that in the 27.

Q2036 Richard Graham: In a sense, we had a preview of what the Department of home affairs is looking at in terms of the simplicity of process for EU nationals, and it was very encouraging. I hope that session goes well.

Lastly, can I just ask you about where you see the likely most difficult areas for agreement on the withdrawal agreement and political declaration? Which areas are going to be the most difficult for us all to agree on?



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Guy Verhofstadt: It will be the two outstanding issues: first, the Northern Irish issue, which we discussed at the beginning; and secondly, the governance.

Q2037 **Richard Graham:** You do not see the future framework as being difficult.

Guy Verhofstadt: Are you talking about the future framework or the withdrawal?

Richard Graham: The two go together—the withdrawal agreement and the political declaration.

Guy Verhofstadt: For the future, how far can we go? How intense can the relationship on trade and economics be? Can we for that find a relationship that respects the red lines you have put forward and is not in contradiction with the principles and concepts in the European Union? That will be the most difficult thing.

Q2038 **Richard Graham:** Can I leave you with a final thought? For so many of us, this process is about finding a way to have different institutional relationships with maximum continuity and as minimum disruption as possible. That is going to be the key to the success of the longer relationship between us and continental Europe. I hope very much the European Parliament will work with us on that.

Guy Verhofstadt: I thought that was already the aim in the 1950s. It has come back to the past.

Q2039 **Seema Malhotra:** Thank you, Mr Verhofstadt, for coming to give evidence today. Just as a small follow-up, first, on the questions asked by my colleague Richard Graham, would you see any kind of agreement around mutual equivalence as solving the problem that some of the insurance industry have raised about some insurance policies that may currently be operating across different countries or jurisdictions? There may be an issue with the legality of paying a claim in another country after we leave the EU, if we do not have an agreement.

Guy Verhofstadt: Regulatory equivalence can possibly also be a solution there. I have to tell you that I am not so familiar with the insurance industry, as you are, that I can tell you that regulatory equivalence will also be applied there. If you will allow me, I will take back the question you have put to me and come back to you and the Committee on that specific issue.

Chair: That would be very helpful.

Guy Verhofstadt: I understand the question was about whether regulatory equivalence is also the way forward for the insurance industry.

Q2040 **Seema Malhotra:** Thank you. Mr Verhofstadt, could I just ask you a point of clarification about the substance of the future framework and how long it will take to negotiate? We had been told by the Secretary of State that he thought much of it could be done between October this year



and March next year. I got the impression that you saw that as taking much of the transition period, which is a very different perspective.

Guy Verhofstadt: Yes. Realistically, that is how I see it. Even if it is very detailed—and I hope the political declaration will be very detailed—it is not possible in three or four months to detail that in a fully fledged agreement, including internal security, external security, thematic co-operation and trade. I am optimistic by nature. I am an adept of Sir Karl Raimund Popper, who said that optimism is a moral duty, so I think that is true, but I am not so optimistic to think that you can do that in three months.

Q2041 **Seema Malhotra:** You chair the Brexit Steering Group in the European Parliament, which has been playing a very important role in engaging all the nations in the discussions about the relationship with the UK after Brexit. What effect do you see the election of a new Parliament and the appointment of a new Commission having on the content and speed of those negotiations in relation to the timetable for the future relationship treaty?

Guy Verhofstadt: Normally that should have no influence at all, if we have a detailed political declaration in October/November. The new Commission can simply continue the work of the previous Commission, based on the political declaration we have achieved. Normally, it should have no influence. The only influence is that it is a new Commission. The new Commission has to work in itself and so on. That may be possible, but I do not see any influence or turbulence by the establishment of a new Commission in 2019.

Q2042 **Seema Malhotra:** With the European Parliament, would you see a very similar structure being established? Would that be one you see yourself continuing to chair?

Guy Verhofstadt: That will be a little different, because once the withdrawal agreement, including the political declaration on the future relationship, has been agreed, we start the process of detailing what from our point of view is an association agreement. Once that is finalised, it will come to the Parliament. It will enter via the normal consent procedure. Even if there are separate agreements on trade and so on, an association agreement needs to be approved by the European Parliament. Then the normal committees of the European Parliament will be competent for that. It will no longer be the Brexit Steering Group that will steer the process; it will be the plenary committees, so the normal legislative procedure, that will apply.

Q2043 **Seema Malhotra:** What role would you see yourself playing in that? You have obviously played a leading role.

Guy Verhofstadt: First of all I will try to be re-elected in 2019, so I do not know where I will be at that moment. When we started with the Brexit Steering Group the aim was not to create a new body inside the European Union but to create a system in which the European Parliament,



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which in the end needs to give the green light to the whole agreement, is involved from day one in the whole process. I know that you have a discussion here about a meaningful vote. We are not only trying to have a meaningful vote; we are trying to have more than a meaningful vote, because we have to say yes or no at the end of the whole process. Instead of going on holidays for two years and then at the end seeing the result that is put on the table to the Parliament, it should be better if we are involved from day one.

On the Council's side, we have created the Brexit Working Group. On the side of the Parliament, we have created the Brexit Steering Group. Normally it is the opposite: they are steering; we are working. This time they are working and we are steering. These two groups, the Brexit Steering Group and the Brexit Working Group, are the two key players, with our negotiator, Michel Barnier. We are trying to achieve coherence in this co-operation. It is not the intention of the European Parliament to say, "We are going to institutionalise this and we are going to have a Brexit Steering Group forever".

Q2044 Seema Malhotra: If I could just ask one final brief question on the issue of freedom of movement, which obviously has been an ongoing point of contention, other countries across the EU have different forms of controls, whether that is around how quickly you need to find work or other conditions around freedom of movement. Is there much more that Britain could be doing even within what is available now?

Guy Verhofstadt: It has always been my opinion that inside the existing framework and existing legislation of freedom of movement in Europe, member states have a lot of room to manoeuvre. Not all countries, certainly not the UK, have always used all this room to manoeuvre. That was one of the discussions we had as European Parliament negotiators directly when we had these negotiations with Mr Cameron.

Our argument was, "Why do you not fully use the room to manoeuvre that is in the existing legislation to control, manage and to a certain extent limit migration?" I can give you the example of Belgium, if you want. We are very keen on social security benefits for migrants. For some people we are perhaps too harsh in this area. We are far tougher on this than whatever has happened in the past in Britain.

Q2045 Seema Malhotra: Does that surprise you? Does it surprise you that Britain has not taken advantage of what is actually there?

Guy Verhofstadt: It is in the autonomy of any country to use the possibilities in the European legislation. It was always my impression that this room to manoeuvre that exists in the migration legislation and freedom of movement legislation in Europe has not been fully used by some of the member states, and by the UK particularly.

Q2046 Emma Reynolds: Good morning, Mr Verhofstadt. Given the complexity of the negotiations and the major outstanding issues, how confident are



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you that agreement will be reached on the withdrawal agreement and political declaration in order for our Parliament to vote on it, and indeed the European Parliament to vote on it, by the end of the year?

Guy Verhofstadt: I am still confident that it is possible to reach an agreement in October/November, even when I know that for the political declaration you only have after the summer break nine or 10 weeks to achieve this. If the political will is there, it is possible.

I hope to see an indication of that in the new White Paper that the British Government will publish in two or three weeks. I do not know the exact date; maybe there are other people in the room who can tell us the exact date that this White Paper will be published. In the White Paper we hope to see an indication of possible solutions for that political declaration.

Q2047 **Emma Reynolds:** Many of us perceive that there have been delays along the line. For example, you mentioned the White Paper, which we thought was going to be published before the June summit and now it seems it will be published afterwards. Is there a possibility of a delay in the whole timetable? If, for example, the European Parliament did not receive the political declaration and the withdrawal agreement until the start of next year, would that give you enough time to scrutinise it?

Guy Verhofstadt: No. Normally we need three months in our procedures to go from an agreement that is put on the table to a vote in plenary. That is normal. If there is a small delay in October of a couple of weeks, we can manage that, but maybe we should not say that too loudly, because that puts pressure on those who will have to reach a deal.

Q2048 **Emma Reynolds:** What is the latest it could come to you? Obviously you have the European Parliament elections as well, so Parliament starts to wind down.

Guy Verhofstadt: You can count yourself. If we need three months, it is before the end of the year; that is the ultimate date, because otherwise we cannot be assured to have a vote in plenary in March.

Q2049 **Emma Reynolds:** If it did fall back beyond that, what would be the attitude of the European Parliament, and indeed yourself, of any proposal to extend Article 50? I know that is not on the table at the moment, but I mean hypothetically.

Guy Verhofstadt: It is not a good moment to now start to bid on whether we can have three weeks more there or four weeks more there. It takes the pressure away from those who have to deliver in October/November. Certainly, for the practical solutions, if it is a question of weeks it is possible, but that is not the main point here. The main point is the political will and the capability to reach a detailed political declaration in October, or it can be November. That is no problem, but you cannot go beyond the year 2018.



Q2050 **Emma Reynolds:** Assuming that is the case and there is an agreement by November/December, when realistically could the negotiations start on the future partnership, following on from the agreement and the political declaration, given that we are going to have European Parliament elections and a new team in charge of—

Guy Verhofstadt: They could start immediately. There is no reason why they could not start immediately. But, again, it is not very realistic to think that within three months everything can be concluded. That is what my point is. They can start immediately. There is no reason why there should be a delay or why we should say, "We are going to wait until the new Commission is there", or "We are going to wait until the new Parliament is there". No, the new Commission and the new Parliament will be bound by the political declaration, which goes in parallel with the withdrawal agreement approved by the European Parliament. They are bound by that, so there is no need to say, "We need new approval". That is not the case at all.

Emma Reynolds: That is good news.

Guy Verhofstadt: We are an ordinary Parliament.

Q2051 **Emma Reynolds:** In your experience not only in the European Parliament but obviously as a Minister and Prime Minister of your country, when it comes to negotiating with third countries, will we have enough time to sort out all the detail before the end of 2021?

Guy Verhofstadt: Before the end of transition I see as possible, yes. It is not impossible. We have all seen trade negotiations that take two years, three years, five years or seven years, but we are not strangers to each other. We have worked together quite a lot in the same environment. It is not that we start from nothing at all. On the contrary, we start in an environment that we know very well and you know very well.

It is possible to sort out these four pillars, because we see four pillars in such an agreement, before the end of the transition period, or what you call the implementation period. Naturally, it will be necessary to go forward on all four fronts, the four pillars, from day one. We are not going to start by saying, "No, we start with pillar 1 and then, if we conclude, we will go to pillar 2". No, it has to be a process in which we go forward on all four main pillars of that agreement at once.

Q2052 **Emma Reynolds:** I have one final question. On the customs arrangements, the Government are still deciding whether they are going to put forward maximum facilitation or customs partnership. It seems the EU is not very keen on either of those proposals. In your view, is either of those proposals workable? Would they be workable from the end of transition?

Guy Verhofstadt: Which proposals do you mean? We have seen a lot of proposals.



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Emma Reynolds: The customs partnership whereby in some way or other the UK polices—

Guy Verhofstadt: No, that is not possible. We cannot outsource our competence on customs duties and customs arrangements. We are not going to do that. We have already said months and months and months ago that this idea that the UK will take over our competence on the customs border will not happen.

Q2053 **Emma Reynolds:** That is very clear. The Irish Government have been very clear that the maximum facilitation proposal is not something they could agree with, where somehow technology that has not yet been developed could be used—

Guy Verhofstadt: That is a proposal that already dates from quite a long time ago. It was a proposal in the framework for the border between the Irish Republic and Northern Ireland. I have always been sceptical about that; I have said it from day one. If you use scans and cameras, that is still a border. It is still a physical instrument, is it not?

It is not wise to do so, because putting some physical instruments on the border between Ireland and Northern Ireland is a dangerous step. That could be the return of violence there. I was always fairly sceptical of this idea. Is technical evolution so fast that all borders worldwide will disappear tomorrow? I do not believe that.

Q2054 **Emma Reynolds:** We are still a long way from having a precise agreement on the customs arrangement for the political declaration and to avoid a hard border on the island of Ireland.

Guy Verhofstadt: Yes, exactly. We still have to work it out. Yes, we know that.

Q2055 **Mr McFadden:** Did you say, Mr Verhofstadt, that you were giving evidence to the Home Affairs Committee this afternoon?

Guy Verhofstadt: Yes. I have to go there for a one-off session about two topics. There is citizens' rights, where we are in the practical, because there are a lot of questions. The questions are not really on the principles. The questions are more how it will work in practice for UK citizens and for EU citizens, so for both sides.

The second is on how we react to the Government's proposal concerning internal security. That is the point that we already discussed a little bit a few moments ago. Those are, I hope, the two items for this afternoon.

Mr McFadden: You will earn your money today.

Guy Verhofstadt: It is a full day in the House of Commons for me.

Q2056 **Mr McFadden:** I want to take you back to the subject the Chair began with, which is this question of Northern Ireland and the border. What is your understanding or explanation of what the UK Government agreed to



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when in December, in paragraph 49 of the joint declaration that was agreed, it says, "In the absence of agreed solutions, the United Kingdom will maintain full alignment with those rules of the internal market and the customs union which, now or in the future, support north-south co-operation, the all-island economy and the protection of the 1998 agreement"? What do you think that means?

Guy Verhofstadt: It is so precise and so clear that there is no interpretation possible. It is exactly what you have read. That has been confirmed in the letter that Mrs May has sent to President Tusk three months later, more or less, in preparation for the previous Council. Again, this is a backstop. It is not the solution. It is the arrangement if there is no solution that can be found that avoids a hard border between Northern Ireland and the Irish Republic.

Q2057 **Mr McFadden:** How broadly should we interpret the phrase "Those rules of the internal market" in this?

Guy Verhofstadt: The rules of the internal market are the rules of the internal market. It is the whole acquis. There is an acquis. You know the acquis. You are part of the acquis for the moment, so every rule that you now apply in the single market is covered by that sentence.

Q2058 **Mr McFadden:** I just want to clarify this. In your interpretation, is this the full acquis, or is it selected rules of the internal market?

Guy Verhofstadt: No, it is the full acquis.

Q2059 **Mr McFadden:** This morning, for example, Charles Grant, who is quite a well informed, well connected commentator here, writing in the *Financial Times*, says that the Government may try to stay in the single market for goods only, partly to resolve this question. I do not know if he is right or wrong.

Guy Verhofstadt: No, it is not an easy point to stay in the single market for goods only when in most goods 40% of services are involved. You would say, "These goods here have two parts, some physical molecules and there are some services involved in it". I do not believe in this possibility, when we talk about the single market, to say, "That is goods and that is services". In our modern economy they are so interlinked that it will be very difficult, if not impossible.

Q2060 **Mr McFadden:** Why is it that in the proposals that the European Union has published about its own backstop, more account was not taken of paragraph 50 of what was agreed in December? That says, "In the absence of agreed solutions, as set out in the previous paragraph, the United Kingdom will ensure that no new regulatory barriers develop between Northern Ireland and the rest of the United Kingdom". Is the logic of what was agreed in December not just that Northern Ireland must remain aligned in terms of regulatory convergence, but the whole of the UK, if both of these paragraphs are to be taken together?



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Guy Verhofstadt: We are all in politics, so everybody can see what the meaning of these paragraphs was. There is some contradiction between the paragraphs. That happens a lot of times in politics. I come from Belgian politics. I can tell you that that can happen. It is clear that every commentator has seen that there is some tension—that is what I will call it; I am going to be very cautious—between the different paragraphs that you have mentioned. You cannot apply all the paragraphs fully. That is against logic.

Q2061 **Mr McFadden:** Your interpretation to us of paragraph 49 is that this is not about selected rules of the single market. This is the full *acquis* governing trade in goods and services. Is that what you are telling us?

Guy Verhofstadt: Yes.

Q2062 **Mr McFadden:** In terms of the models available to the UK, in response to my colleague, Joanna Cherry, a little while ago you said all this is available: single market, EEA, customs union, however you want to brand it.

Guy Verhofstadt: You name it, yes.

Q2063 **Mr McFadden:** It is not a question of the European Union saying, “You cannot do this”. This is a question of the UK’s red lines. That is the issue.

Guy Verhofstadt: Yes, exactly.

Q2064 **Sammy Wilson:** Mr Verhofstadt, you said in an answer to Joanna Cherry that the EU will not interfere in the institutional arrangements of the UK. Yet in February you told the Committee on Constitutional Affairs of the European Parliament that you would fight to keep Northern Ireland under EU rules. Do you not see that as some contradiction, insofar as that would take Northern Ireland, constitutionally, into a different place within the United Kingdom? Equally importantly, that would also interfere with the very delicate balance within the Belfast Agreement, which indicates that there can be no change in the constitutional position of Northern Ireland without the consent of the people of Northern Ireland.

Guy Verhofstadt: I have never, and certainly other people in the Parliament have never, made any statements about the constitutional future of Northern Ireland—never. Our comments are based on the necessity to keep the peace process in Northern Ireland and all the elements of the Belfast Agreement, and everything that has been achieved there. That is our concern, but we have never made any statement on the constitutional future of Northern Ireland. As I indicated, we have enough difficulties with our own institutional structures in the European Union without being involved in a debate on the constitutional future of Northern Ireland.

Q2065 **Sammy Wilson:** Do you not recognise that if you insist that Northern Ireland stay under EU rules and EU laws, as opposed to UK laws, that does change the constitutional position? You might not call it that, but



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that is, in effect, what it does. That is contrary to the Belfast Agreement, which you have quoted, and the peace agreement. The peace agreement is based on the premise that Northern Ireland's constitutional position cannot change, except with the consent of the people of Northern Ireland, not with the dictates of Europe.

Guy Verhofstadt: Again, our concern there and our agreement in the December report, and then later on in the letter confirmed by Mrs May, is that there is no hard border or hardening of the border between Northern Ireland and the Irish Republic. That is the starting point and all the rest is the consequence of that. I have visited the border. There is no border. In reality, today, there is no border. The only way that you can see there is a border is on one side the signs on the road are white and on the other side the signs on the road are yellow. I have completely forgotten where it is yellow and where it is white for the moment, but it is the only way to see that there was, in the past, a border. There is none, and it is all good. Nobody wants a border there to return. That is the starting point of the whole process and of our thinking.

The starting point of our thinking is not, "We need to have a change in the constitutional order in Britain. We need to have another status for Northern Ireland". That is not our business. Our business is how we can avoid a border or a hardening of the border between both of them.

Everybody agrees that if there is alignment between Northern Ireland and the Irish Republic that should mostly solve the problem. You know that already today for a number of agricultural products the controls are done not on whatever border there is between Northern Ireland and the Irish Republic but in the sea ports of Northern Ireland. That is today. That is the reality today. What we propose is not so far from the reality of today.

Q2066 **Sammy Wilson:** You are wrong in fact to say that there is no border. First, there is a political border, but, second, there is a fiscal border. There are differences in tax rates between the Irish Republic and the UK.

Guy Verhofstadt: That is true. There are miles on one hand and kilometres on the other, so that I know.

Q2067 **Sammy Wilson:** There are fiscal differences as well. Taxes have to be collected. It does not require a hard border. There are some regulatory differences, which are facilitated without a hard border.

Guy Verhofstadt: I know.

Q2068 **Sammy Wilson:** There are currency differences, which are facilitated without a hard border. All those kinds of things would exist if the UK was in a different customs arrangement than it is at present with the EU, or a different regulatory arrangement than it is within the EU. If it can be facilitated at present without a hard border, why do you envisage a hard border being put in place if we were to leave the customs union and the single market?



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Guy Verhofstadt: Automatically, if the whole of the UK is leaving and there is no regulatory alignment anymore, there will be a necessity to control the import and export of goods.

Q2069 **Sammy Wilson:** We deal with regulatory differences at present without the hard border that you are talking about.

Guy Verhofstadt: No, you are now part of the same single market and the same customs union.

Q2070 **Sammy Wilson:** We still have some differences that have to be facilitated.

Guy Verhofstadt: That is true. I can tell you there are also a lot of differences between Belgium and France, Belgium and the Netherlands and Belgium and Germany. All these differences exist. That is not the point. The point is not that there are no differences in policies, countries, flags, taxes and whatever you want. That is not the point here. The point is, by leaving the single market and by leaving the customs union, automatically that creates a hard border that has to be controlled. That is the point. That is the point that we are discussing. That is our discussion about Ireland and Northern Ireland, because everybody says, "Yes, but we do not want a hard border", and then comes the question of how to achieve that.

Q2071 **Sammy Wilson:** That is something that many people fail to comprehend. You have accepted there are fiscal differences between France and Belgium, there are regulatory differences between France and Belgium, as there are between Northern Ireland and the Irish Republic at present. They can be facilitated without a hard border, but you are saying that once the UK leaves the EU they cannot be facilitated because there will be differences.

Guy Verhofstadt: There is a single market. There are no customs duties, no customs controls where you cannot go from one country to another. That is the way it works in the single market. What you give up by going out of the single market is exactly that. We need to control imports, exports, conditions, quality of products and so on.

This administrative burden is created by going out of the single market and out of the customs union. Maybe we can find a lot of solutions to avoid that in the future relationship, but that is another issue. It is difficult to deny that the decision to leave the Union has created a problem there. That problem is different from what you try to tell me: that this is the same as, for example, the regulatory differences and the tax differences between the member states of the European Union. It is not the same.

Q2072 **Sammy Wilson:** How are tax differences collected at present without the hard border you are talking about?



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Guy Verhofstadt: There is nobody on the border between France and Belgium controlling if you have paid your taxes in Paris or if you have paid your taxes in Brussels.

Q2073 **Sammy Wilson:** No, so how are the different tax rates collected at present when, for example, alcohol travels from the Irish Republic to the UK? There is a tax difference. How is it collected at present?

Guy Verhofstadt: I am not a specialist in what is happening between Northern Ireland and the UK. What you are telling me now is that there is a kind of invisible border between the UK mainland and Northern Ireland, so then what do you have against the backstop?

Q2074 **Sammy Wilson:** The point I am trying to make is that taxes can be collected without physically stopping vehicles, checking what is in them and working out what tax is required to be paid. If it is possible to do it now inside the EU, why is it not possible to do it outside the EU? The same technical ability will remain.

Guy Verhofstadt: I think we have different points of view that are of a more conceptual nature.

Q2075 **Sammy Wilson:** Let me just move to another promise that you have made. You have promised that you do not want to interfere in the institutional arrangements of the United Kingdom, yet you say you will fight to keep Northern Ireland under EU law. You have also promised the Irish Republic that Ireland would not pay the price of Brexit.

Maybe you could tell us how you would propose that the Irish economy is protected from not having access to the GB economy, which accounts for 40% of its exports, or would not find its trade disrupted through having to use GB as the land bridge between the Republic and the rest of Europe. What proposals in the future trade arrangement would you see the EU putting forward to ensure the promise that has been made to Ireland that it will not pay the price of Brexit?

Guy Verhofstadt: That is what we have said to our friends in the Irish Republic. We have to see that the future relationship is a relationship that is minimising the effect on their economy. That is first. Second, we also have to see how we can help their economy, which is a vibrant economy in the Irish Republic, so that if there are negative effects they can be compensated. Those are the two elements we are looking for. Thirdly, we are also looking to the transport issue, what the best way to avoid disruption is, even in the case of—hopefully not—a cliff-edge scenario. That would be a disaster for them, certainly for their transport and the logistics that they are using.

Q2076 **Sammy Wilson:** For people in Northern Ireland, the maintenance of a vibrant economy south of the border is equally important. That is the reason why this question is important as to what practical arrangements will the EU propose in negotiations with the UK Government to ensure that the Irish economy does not get cut off from its single main market



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for its exports?

Guy Verhofstadt: Are you talking now about the Irish economy in the south or in Northern Ireland?

Sammy Wilson: No, the Irish economy in the south.

Guy Verhofstadt: The Irish Republic.

Q2077 **Sammy Wilson:** The Irish Republic. Specifically, what proposals do you see the EU putting forward to ensure the promise that the Irish economy will not suffer as a result of Brexit and will be protected in these negotiations?

Guy Verhofstadt: The best way to do it is to come back to square one and to be in the single market and in the customs union. That should solve all the problems, but that is not on the table for the moment.

Q2078 **Sammy Wilson:** The UK has said that is not on the table. To deliver on the promise that has been made to the Irish Government, what proposals do you see the EU putting forward to protect the Irish economy?

Guy Verhofstadt: It is the three points that I have indicated a few moments ago. First, to have a future relationship with the UK system that minimises the negative impact for them. It will not be zero; that is true. Secondly, in a certain way compensate, because of the strength of the economy on the continent and of the eurozone. That can be a second element. The third element is that we are certainly looking for very concrete proposals for their logistics. For them, it is critical that they can have a continuous flow of their products and services to the continent. Those are the three things that we are looking at.

Q2079 **Andrea Jenkyns:** I am going to touch on some of the questions that my colleagues have already asked you. Regarding the £38 billion divorce settlement from the EU that we are going to give you, when is the EU expecting to receive the £38 billion from the UK?

Guy Verhofstadt: At the moment of the approval of the withdrawal.

Q2080 **Andrea Jenkyns:** When do you expect that to be?

Guy Verhofstadt: The approval of the withdrawal in March next year, yes.

Q2081 **Andrea Jenkyns:** If this is truly a two-way negotiation, what is the EU prepared to give or give up for the UK?

Guy Verhofstadt: The question is that the negotiation is within the framework of Article 50. It is question of we have to make a settlement on the finances. We have to get the citizens' rights okay. It is not a question of a trade-off in the sense of "By the way, if you give in on this we are going to be more"—

Andrea Jenkyns: I will rephrase it then. What areas are you prepared to compromise?



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Guy Verhofstadt: In that way, it is not a classical negotiation like between two political parties, for example, sitting around the table to make Government. They give in on their principles and they expect that both sides are doing that, otherwise they cannot make a Government. It is not that. It is not a classical political agreement. It is a country leaving the Union. We have to do that based on the rules in the way it is described in the treaty. We do not want trade-offs in the classical political sense.

Also, we have indicated, as a second example to give you, that we will never accept a trade-off between “We are going to give you good co-operation from the British side on internal security and on external security if you give us a good deal on trade and economics”. We will never accept that. This is not a classical political trade-off, wheeling and dealing between political parties.

Q2082 **Andrea Jenkyns:** Are there any areas that you are prepared to compromise on?

Guy Verhofstadt: We do it every day, in a sense.

Q2083 **Andrea Jenkyns:** Can you give an example?

Guy Verhofstadt: I am not around the negotiation table. It is Mr Barnier who is doing that. There is already a first list, 80% of the withdrawal agreement, as I indicated in the beginning, seven more technical points today, so they are making agreements. You will agree with me that it is not always easy to combine—to have a marriage, if I may say so—between red lines at one end and principles at the other.

Naturally, it is the art of politics to find the way out. That is what we try to achieve with all the skills that we have. That is in the interests of both parties, because the worst scenario for both parties is that of no deal and then we see what happens afterwards. The disruption that would create in the economy, not only on the continent but certainly in Britain, would be huge. We have to avoid that.

Q2084 **Andrea Jenkyns:** I would like to move on. You mentioned about free movement and your existing policies. You mentioned that some countries are not really taking you up on the flexibility within the existing framework. In the existing framework regarding freedom of movement, is there an ability to purely allow an immigration system, for example with the UK, based on the skills need of the country only?

Guy Verhofstadt: No.

Andrea Jenkyns: I am trying to understand how flexible the existing system is.

Guy Verhofstadt: Let us be honest: our migration system is merely a nation state system. That is always my criticism: no European migration system. The point is that, inside the single market, you have the freedom of movement of people. For example, people with skills in



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construction companies in Poland or others can come here, and fortunately so. I am in Britain a lot of times and when I go to a hotel or to a hospital then I see a lot of these people with these skills coming from other countries in the European Union and working here. That is good.

Let us be honest: labour mobility in Europe is lower. Everybody is talking about this enormous problem of labour mobility. Do you know what labour mobility in Europe is? It is 1%. Do you know what it is in the US? 10%. Only 1% of the workforce in Europe is moving to another country to work there, temporarily or not temporarily. In the US it is 10%. Some 10% of the workforce on a yearly basis is going to another state, to another part of the country, under several constitutions, because three of the states in the US have their own constitution, their own flag and their own system.

I did not find labour mobility a big issue. You find it a big issue. I can understand that, but it is only 1%. This 1% means that in fact, in total, Britain included, the number of vacancies in Europe is 3 million. That is because of a lack of labour mobility. I have not judged the whole debate during the referendum about migration. It is not migration coming from outside the European Union. The debate was about the labour mobility inside the Union. I tell you the labour mobility in the Union is kept fairly under control, because it is only 1%.

Q2085 Andrea Jenkyns: This is my final question. You touched earlier on strengthening your defence capability. During the referendum campaign our then Prime Minister, David Cameron said it was completely untrue and was not going to happen; a European army would never be established. Is this your aim? Would you like to see a European army?

Guy Verhofstadt: I am in favour of a European defence community as a pillar of NATO—European pillar. NATO for the moment is still an organisation of nation states and I think we are going to go into an alliance that is more based on pillars: a North American pillar, a European pillar and so on. My opinion is that a European defence community is the way forward to do something about our lack of responsibility in defence methods.

Q2086 Andrea Jenkyns: What does it look like then? Does it look like an army?

Guy Verhofstadt: I can send you a very interesting document—the proposal of the European defence community of 1952-53. It is not a new proposal. It already existed on the table in 1952-53: how it should work, who could participate and what troops would be put at the disposal of this European defence community. In my opinion, that is the only way to make better use of the enormous amounts that we put into military.

Europeans put in, more or less, 42% of what the Americans put into military. That is three times more than the Russians. Europeans put three times more money into military than Russia, but I am not sure that



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we are capable of doing the number of operations that the Russian army could. I do not think so. The reason is an enormous waste of money because of the non-existence of a European defence community. It is not compensated by the inflation of bilateral arrangements we have between countries.

You call it an army. You can call it as you wish, but the European defence community should be an enormous saving of money and, at the same time, an increase in the security of this continent, which is today not capable of taking its responsibility in its own neighbourhood.

Q2087 Andrea Jenkyns: Do you think any other countries will follow the UK and leave the EU? Can you see it on the horizon?

Guy Verhofstadt: That was the fear everybody had after Brexit. I remember there was your countryman, the leader of a certain party called UKIP—I do not know how it is with UKIP for the moment here in the country—who was present in the European Parliament and said, "There will now be a follow-up. After Brexit there will be a Dexit, Danish going out, Nexit, the Dutch going out, Frexit, the French going out". Fortunately, you have not seen a domino effect in that sense.

Q2088 Andrea Jenkyns: Can you see it happening in Italy?

Guy Verhofstadt: Sorry, but in Italy both parties, who were very Eurosceptic, are today the most Europhile parties that I have ever heard. They do not want to go out of the euro. They say it is stupid to go out of the European Union, so even Eurosceptics have understood—the Eurosceptics on the continent. I am not capable to qualify Eurosceptics here in Britain. After Brexit all the Eurosceptic parties in Europe lost the elections, like in the Netherlands, because their Europhile parties won it, or the Eurosceptic parties changed their opinion completely. They find now that the euro is a stable element of their economy and they do not want to go out of either the euro or the European Union.

That does not mean that we do not need to reform, and that was my point at the beginning. I am even more Eurosceptic than all the Eurosceptics in Britain concerning the actual way of doing things in the European Union. I do not think that the system in the European Union is sustainable as it exists today. It has to be reformed. In my opinion, a federal sense is the only way it can work. There I have some common ground with Eurosceptics.

Q2089 Stephen Kinnock: The British media today is reporting the draft conclusions of the 29 June European Council summit, where the European Council is saying it expresses its concern that no substantial progress has yet been achieved on agreeing a backstop solution for the Irish border. Do you think that the 29 June summit is going to make any significant or substantial progress at all, in terms of these Brexit negotiations?

Guy Verhofstadt: The progress is what I have indicated in the beginning. That is that common statement that has been made by Mr



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Davis and Mr Barnier, yesterday, I think, where they indicate the progress in the withdrawal agreement in seven specific fields. I do not expect more than that, no, to be realistic.

Q2090 Stephen Kinnock: This issue of the Irish border seems to be the fundamental stumbling block, not least because it connects the withdrawal agreement to the political declaration. It is the umbilical cord between the two. The European Parliament has advocated an association agreement. Do you see an association agreement being a basis for resolving the Irish border issue?

Guy Verhofstadt: An association agreement does not solve all problems, naturally. An association agreement is a framework in which you can create a relationship based on one governance, one ratification cycle, with democratic institutions covering everything that you want. It is not a miracle. You cannot say, "We have an association agreement and now the border issue between Northern Ireland and the Irish Republic is solved".

You still need to decide on the content, on what you put in the trade and economic pillar of the association agreement. What will it be: single market, customs union, EEA, less than EEA, only a bespoke trade deal? You still need to fill that in in such an association agreement. An association agreement does not take away the hard political choices that have to be made between the two negotiating parties, but it creates a framework that is foreseen in the treaties, that is understandable, creating governance structures to manage this future relationship between both.

Q2091 Stephen Kinnock: Is time not a major factor here? The reality is that we have a very narrow, and narrowing every day, window of opportunity. The reality for resolving the Irish border issue is now there has to be an off-the-shelf solution, and that has to be the EEA plus a customs union. Is it not now just time to inject some honesty into this discussion and recognise that is the only realistic solution on the table?

Guy Verhofstadt: It is for you to conclude on that, not for me to conclude on that. If the UK had no red lines then I see it is very easy to find the single market as the solution, for example. That is for you to decide on this. Even when I have understood it I do not know if it is true. People said to me, "Do not use the word 'EEA'". I said, "Why can I not use the word 'EEA'?" "That is a toxic word in Britain". A toxic word? Are there other toxic words in Britain?

Stephen Kinnock: It has the word "Europe" in it. It contains the word "Europe". That is why.

Guy Verhofstadt: Is the word "Europe" also toxic?

Stephen Kinnock: Yes. Stay away from that.



Guy Verhofstadt: Then I have to go out. Again, from the European Union side, there is no problem talking about any solution that is put forward by the British side. It can go until the single market and so on. We want as close a relationship as possible. If your question is, if the British Government come forward with a proposal where they mix, merge a little bit some policies, an approach like EEA with, for example, a customs union, would there be opposition from the European Union, there would be no opposition and no problem with the European Union.

The problem is not the European Union. The problem is how you marry the red lines of the UK with what Michel Barnier is always calling the ecosystem of the European Union—the rule-based system of the Union. You cannot ask us to have a fantastic solution that gives up our system. We will not do that.

Q2092 **Stephen Kinnock:** Going back to the idea of the association agreement, one of the criticisms levelled at the European Economic Area is this thing about going from being a rule-maker to a rule-taker. Is it not the case that, under an association agreement, that would be even more problematic?

The EEA countries do actually participate in the shaping of European regulations and directives through expert committees and through the EEA joint committee. You also have the EFTA court. These are well established institutions, whereas with an association agreement you have far less of a stake and far weaker leverage, in terms of the actual making and shaping of the acquis.

Guy Verhofstadt: My answer to this is that the association agreement has an enormous flexibility. You can put a lot of fields in it or only limit yourself to one or another field.

Second, you will put in place a governance system where we will have a governance structure between the UK and the EU on senior level, on ministerial level and on leadership level. It will be a bespoke system where we will have two times a year, one time a year—I do not know—a summit between the EU and the UK, or we have joint association councils between Ministers, British Ministers and EU Ministers responsible for the European Union, governing that agreement, and at the same line on the level of senior officials. It is not possible to compare it immediately, saying, “It is that type or that type of influence that the UK side will have”. It is bespoke.

Q2093 **Stephen Kinnock:** What you are setting out sounds very attractive in terms of its bespoke nature. Do you think that it is realistic that we would have the leverage, given how little time there is and how much goodwill has been burned already, to create something new—to, if you like, pull a rabbit out of the hat?

I think that is what you are suggesting really: that is you can have a very wide-ranging association agreement in draft format in the political declaration, and that Members of Parliament here would then be



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expected to vote for that, in the hope that we would then be able to strike a deal that both gives us the kind of access to the single market that we want but also deals with this issue of sovereignty and being a rule-maker or rule-taker. What you are talking about here sounds attractive but vague.

Guy Verhofstadt: It is not a rabbit out of the hat now. I should say the rabbit is already a long time out of the hat, because we have already, months and months and months ago, said that an association agreement was the way forward; that is the first thing. Secondly, we are very precise in our resolution of how it would work. Yesterday, in this intervention in Vienna before the Fundamental Rights Agency, I gave more details about the governance structure of such an agreement.

If you go along that line, the main attractive point is that you have then a system where you have one governance and one ratification cycle to manage all this, instead of what, in my opinion, would be a disaster. That is that we follow the Swiss example in our future relationship and we are making 10, 20 or—I do not know—100 deals. Some are mixed, others not mixed, and we would enter into a period of two types of uncertainty about the ratification of all this. We are law-makers. You are law-makers. We need to be very prudent on that. We need to have a system that works from day one. There the association agreement solves it, but it does not solve all the problems.

We still need to have a discussion on how far co-operation on trade and economic matters will go. There, you have the different types and proposals and possibilities that you have mentioned in your intervention. It does not solve all the problems but it creates an understandable and comprehensive framework in which, in my opinion, it will be easier for both parties to come to a conclusion, rather than turning around the principles and turning round, little rounds, around the red lines.

Q2094 **Stephen Kinnock:** I have one final question. Have you received any specific feedback on that proposal from the UK Government?

Guy Verhofstadt: I am told that a number of people see the advantage of it and the logic behind it. As you are, I am waiting for the White Paper from the Government to see if it has made any progress.

Q2095 **Stephen Timms:** Can I first of all take you back to something you said earlier? You were responding to concerns that the UK will find itself committed to paying up to £39 billion in the withdrawal agreement without any legal certainty about what the future relationship between the UK and the EU will be. You suggested one helpful step could be to make the political declaration an annex to the withdrawal agreement. Can you just tell us what the impact of that would be? Are you suggesting that if that was done then that would make the political declaration legally binding?

Guy Verhofstadt: Yes, indeed. I am not saying that this is the position of the European Union. I gave you my personal opinion about it. I think



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it is not a bad proposal to do so, to give more legal certainty for both sides. However, there are also people saying, "No, a political declaration is a political declaration. That has political meaning and you cannot mix that with the withdrawal agreement, which is a legal act".

Q2096 **Stephen Timms:** Do you think the European Commission would be happy to proceed in that way?

Guy Verhofstadt: That is a question that you have to ask of the European Commission. I cannot answer for them.

Q2097 **Stephen Timms:** Can I take you back to the question of continuing freedom of movement within the EU for UK citizens who live in the EU? You have made it very clear the European Parliament is going to fight to achieve that. Where is the resistance to this coming from? Is it member states that are reluctant?

Guy Verhofstadt: The resistance comes from countries that think that sovereignty is more important than European policies; maybe you recognise that a little bit here in the country. It is exactly the same as you are facing here in your daily work. They are all saying, "Excuse me, we give a permit for residence to the UK citizens. That is only valid in my country and if he goes to another country he has to ask for a new permit". We say, "No way. There will be no deal if that is the position of member states". We think that as we will have—hopefully, if we can agree on the last details—a smooth system for the EU citizens in Britain, there has to be a smooth system for those citizens on the continent. Nobody, not the EU or UK citizens, has to have a negative consequence of the Brexit decision.

I think we can achieve this. As I already indicated a few moments ago, there was a very negative article about this in the first draft of the withdrawal agreement, but we succeeded in putting it out of the text. We are going to fight further, and we have said it very clearly, very openly, to Mr Barnier and to the Council, "Do not come back to this". For us, when UK citizens have a permit there has to be onward mobility inside the Union.

The other point that I can discuss a little bit more in detail in the hearing with the Home Affairs Select Committee is about how our member states are preparing themselves for the registration of their UK residents for the period after Brexit. This is also based on a smooth process without any administrative burden.

Q2098 **Stephen Timms:** I think the article in the withdrawal agreement that has been removed was article 32, was it not, that has been struck out?

Guy Verhofstadt: Yes, they say here behind me that was 32.

Q2099 **Stephen Timms:** Was that removed because of pressure from the European Parliament?



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Guy Verhofstadt: Together with the UK Government, yes. We worked together with the UK Government on this. The UK Government had the same position as we did. Yes, they are sitting around the negotiation table. We are also accompanying this negotiation. We have said from day one that for us this was not acceptable.

Q2100 **Stephen Timms:** That is very helpful. I think we are all grateful for what you have been saying about this. You said there is resistance from some member states.

Guy Verhofstadt: You asked me how it was possible. Some member states are saying, "That is my business. I give permits". Others said, "A permit given there in Germany is not valid in Spain". We say, "Sorry, we live in the European Union, so let us make an agreement on this that what is valid in one country is valid in the whole European Union". In my opinion, that is the philosophy behind the European Union. At the European Parliament it is normal that we have this reaction.

Q2101 **Stephen Timms:** I think we recognise that. I am interested to know which of the member states are particularly—

Guy Verhofstadt: I cannot give you that. I will ask our colleagues in the Brexit working group what their latest thinking on that is. If you want, we can ask for that.

Stephen Timms: It would certainly be interesting to the Committee.

Guy Verhofstadt: We can do that.

Q2102 **Stephen Timms:** That would be helpful. Can I just raise one final point? There is the question of the recognition of professional qualifications after Brexit. There has been some progress in the withdrawal agreement, but I think the Commission's view has been that most of that will need to be addressed in the context of the future—

Guy Verhofstadt: The future relationship.

Stephen Timms: Do you think that is something that ought to be in the political declaration: that there ought to be something substantial?

Guy Verhofstadt: Yes, I think so. If we talk about the detailed political declaration, such crucial points will be there. For example, a few moments ago we discussed financial services and the idea of regulatory equivalence. There are also elements that I would prefer to see in the political declaration, yes. That cannot be something that is hanging in the air for three years.

Q2103 **Hywel Williams:** I would like to ask you some of the details around settled status for European Union citizens in the UK, and particularly for vulnerable groups. There have been some proposals, such as digital support and a dedicated contact centre and that sort of thing, which I know you have been involved in. Are the measures that have been proposed sufficient, in your opinion, to meet the need that might arise?



Guy Verhofstadt: On vulnerable people and groups, there are a lot of vulnerable people. You can be vulnerable because you have no Android device, because the system will only work on Android devices, so if you have an iPhone you are not lucky. You are on the bad side. You have people who have no access to the internet. A third possibility of vulnerability is people who have difficulties in understanding the whole process, or language issues, or people who need to have help in filling this in. In my opinion, vulnerable people are not one or other individuals who have some difficulties. In these 3 million EU citizens we are talking about, we think there are a lot of them.

The Home Office is working on this. We have said to the Home Office what we want, next to the internet procedure, working on Android; people who do not have a biometric passport also have a problem in using that device. We want a network of contact points in Britain where these people can go. A contact point does not mean there is one contact point in London and one contact point in Birmingham. That is not what we want. We want a number of contact points where people can easily go. If they cannot go because they are, for one or other physical reason, not capable to do so, the Home Office can come to the home of these people to fill in this registration—we call it a registration—for settled status.

Until now the latest news that we have, because I had a meeting yesterday with Mr Javid about this, is that they are going to work out the fastest possible system. I have also said, "Make it public, so that people see that you take these vulnerable categories seriously. It should be very concrete and you should roll out this network of contact points".

Q2104 **Hywel Williams:** There is a specific sub-group—it is not a homogenous group—of the 3 million, and that is people who have language difficulties. It is a particular interest of mine. It is reckoned there might be about 250,000 people who would encounter language difficulties potentially. Are you aware of any proposal that people could apply in one of the other official languages of the EU other than English?

Guy Verhofstadt: The idea would be that there are different languages used, yes.

Q2105 **Hywel Williams:** Are you aware that we have a new system of social security being introduced in the UK called universal credit? The design of that in my part of the world, which is Wales, intended that it would be available bilingually. However, the design is such that it cannot cope with two languages, let alone 27. That application through the medium of Welsh has had to be postponed and postponed, because the system cannot cope.

Guy Verhofstadt: I am not aware of that.

Q2106 **Hywel Williams:** That is just a point of information that you might want to take up with the Home Affairs Committee this afternoon. Hard cases make bad law, but it is a particular hard case in Wales where Welsh and



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English are official languages. Going into the detail of the matter, are you aware whether EU citizens who can speak Welsh or wish to speak to Welsh will be able to apply in Welsh or in English? The track record is not very good, as I said, in terms of the social security system. If I may, very quickly, a former academic colleague of mine is from Denmark. She speaks Welsh, lives her life through the medium of Welsh, and sometimes speaks English, and I am not sure how she will apply.

Guy Verhofstadt: We are going to put the question to them.

Hywel Williams: I would be glad if you would.

Guy Verhofstadt: Yes, I am very sensitive to language questions. As you know, I am Flemish. I come from Belgium.

Q2107 **Hywel Williams:** Can I then go on to the situation of British citizens in the EU? At specific points, the European Parliament's resolution of 14 March proposes that the EU 27 examine how to mitigate the loss of citizenship rights within the limits of EU primary law. What does that actually mean? What is mitigating the loss of citizenship rights? What are you looking at?

Guy Verhofstadt: That is the EU citizenship. If you are a national of a member state of the European Union, automatically, based on our treaties, you receive EU citizenship. EU citizenship has a number of advantages, such as consular aid. If you are somewhere in South America, in the Amazon, for example, and you have a problem, you can, whatever your European nationality is, go to a consulate of a European country and they are obliged to help you. That is consular aid, for example. You also have the possibility to participate in elections. I do not have the list now. There are in total four specific rights attached to EU citizenship.

There is now the issue for the people going out; normally they lose that EU citizenship. In Northern Ireland it is even more complicated, because there the people can continue to have an Irish passport, and by having an Irish passport they retain their EU citizenship. There is also the whole question of whether, once you have your EU citizenship, you can lose it, because you lose it not by a decision that you personally have made but by a collective decision of a country going out. That is an open question and an open issue.

I have launched, quite a lot of time ago—I think in the beginning of the whole process—the idea of the possibility for UK citizens to retain their EU citizenship on an individual basis. There was a court case. I do not know where this court case is before the ECJ. It was on the question of whether EU citizenship is something that is a consequence of your national identity, or whether EU citizenship is a citizenship that is individually linked to you as an EU citizen. I do not know where this case for the European court is at the moment, but it will be interesting to know what the European court thinks about it.



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Q2108 Hywel Williams: I have a particular interest on this, having led a debate on the matter in Parliament here a few weeks ago. Just to be clear, what you envisage as European citizenship would be extended to UK nationals living in the European Union. Is that what you are proposing?

Guy Verhofstadt: No, it was about UK citizens in general.

Q2109 Hywel Williams: That would include the people who not only live in Northern Ireland but of Irish extraction who live in the UK.

Guy Verhofstadt: In general, those who have EU citizenship now and normally should lose it at Brexit day.

Q2110 Jeremy Lefroy: I very much sympathise with Mr Verhofstadt's last comment. I would urge all parties to pursue that, especially as somebody who has just renewed his passport, which extends to 2029 and says "European Union" at the top of it.

I just wanted to ask one question coming out of the declaration or the statement of 14 March of the Parliament. In paragraph 5, it talks about the shortcomings of the EU's relationship with Switzerland, which you have already referred to. Of course, Switzerland is a member of EFTA, with a separate agreement from the EEA within EFTA. Is there any way in which an association agreement could be held between the UK and the EU within the context of membership of EFTA?

Guy Verhofstadt: It is possible to have an association agreement and to make an EFTA-type arrangement in the economic and trade pillar. That is possible. To repeat myself, the association agreement is not limiting the possibilities of one area. You can, in the economic and trade pillar, do only a very small trade co-operation, or you can put in that the single market if you want.

The association agreement is neutral towards the intensity of your co-operation, but it tells you what you have to cover, what governance you have to put on it, how you have to manage it, how you have to ratify it and how it can be applicable. Those are the advantages of it, but it is neutral towards the question, "We are going to limit ourselves to only trade in a few areas" or, say, "No, we are going into an EFTA type, or an EEA type, or a single market type of co-operation". There it is neutral. That is also the reason why it is not a miracle. It creates a framework that is, in my opinion, better suited for negotiations than turning around principles and red lines.

Q2111 Jeremy Lefroy: Just to be clear, there is no implicit contradiction between the UK at some future point becoming a member of EFTA and having an association agreement with the EU.

Guy Verhofstadt: No. If you foresee that in your association agreement, there is no problem.

Q2112 Jeremy Lefroy: The agreement talks about the UK becoming a third country, and then in paragraph 4 it states, "A third country must not



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have the same rights and benefits as a member state of the European Union, or a member of European Free Trade Association (EFTA) or EEA”.

Guy Verhofstadt: If you agree in your association agreement, in your trade part, you want an EEA solution, okay, then you take an EEA solution. Then you can still—because apparently there is a toxic word—use other words for it. That is independent. What you put in your trade and economic part, there you have full flexibility. An association agreement does not limit you.

Q2113 **Mr Rees-Mogg:** Thank you, Mr Verhofstadt, for coming in. It is enormously courteous of you to come to the UK Parliament, and it has been easier to persuade you to come than some officials of Her Majesty’s Government, so thank you very much for being here.

My apologies for being late; I was asked to see the Whips about some of today’s business on the meaningful vote. Can I just follow up on one of Mr Wilson’s questions on the Irish border to get your view on what would happen in the event of no deal? If the UK did not put up a border, would the European Union require Ireland to put up a border?

Guy Verhofstadt: In the case of no deal, then automatically there will be a border.

Q2114 **Mr Rees-Mogg:** The UK has made it clear that it will not put up a border. We will have no physical infrastructure.

Guy Verhofstadt: Yes, they have said in the beginning a smart border. That is a border.

Q2115 **Mr Rees-Mogg:** There is a border already, but under those circumstances the EU will put up a physical border. Is that correct?

Guy Verhofstadt: We want to avoid it in any way. Our basic principle is we do not want it. That is also the reason why we want an agreement. You always prepare yourself for the worst scenario, but that is not our thinking for the moment. We want to avoid it in any circumstances. Saying, “What are you going to do when this is happening and this is happening?” is not the way we are working, because that would be a bad starting point for the negotiations.

Q2116 **Mr Rees-Mogg:** That is exactly what is being done by the attempt to draw up backstops. The whole point of a backstop is what happens in the event that things do not happen. What I am trying to establish is, in the event of no agreement, which is not impossible, if the UK does not put up a physical border, will the EU insist that Ireland puts up a physical border?

Guy Verhofstadt: Automatically then there is a border. The question is that we prefer the backstop option in that case. Maybe to avoid the border from your side, you can then accept the backstop option.

Q2117 **Mr Rees-Mogg:** No, we can avoid a border unilaterally. We can simply say we are not going to put up a physical border.



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Guy Verhofstadt: Yes, okay.

Q2118 **Mr Rees-Mogg:** Would the EU then insist that the Republic of Ireland did?

Guy Verhofstadt: No.

Q2119 **Mr Rees-Mogg:** If you would not, the whole issue has gone away, because if you are not insisting on a hard border and we are not going to insist on a hard border, who is the magical person insisting on a hard border?

Guy Verhofstadt: Yes, but there will still not be regulatory alignment, for example, between the north and south, so we will have to deal with that problem. That is the reason to avoid having no deal.

Mr Rees-Mogg: No, there is a choice.

Guy Verhofstadt: For you unilaterally, and for us not only unilaterally, to avoid that we need to do something that we do not want to do.

Q2120 **Mr Rees-Mogg:** You would have a choice not to impose a physical border in the event of no deal.

Guy Verhofstadt: No, we have no choice. The border is the—

Mr Rees-Mogg: Okay, so you would have no choice.

Guy Verhofstadt: The rules are the rules. We cannot change the rules, but we want to avoid having to apply them. That is the reason why Mrs May has been in agreement with the backstop. For us, the backstop assures that we have no hard border to install, because the backstop avoids a hard border, and ensures there is regulatory alignment and customs arrangements as they exist today between Northern Ireland and the Irish Republic.

Q2121 **Mr Rees-Mogg:** What you have said is extremely important. You have said that the EU would insist on a hard border with no agreement because the rules are the rules, but the EU, when it has suited it, has not always stuck to that position, has it?

Guy Verhofstadt: Sorry?

Mr Rees-Mogg: I seem to remember that the Maastricht Treaty has a no-bailout clause for countries that get into trouble in the euro. When it suited the European Union, the rules were not the rules, were they? The rules were adjusted to meet the requirements of the time. Why are you so solid about the rules being the rules now?

Guy Verhofstadt: I should not say that we all the time change the rules. That is not true. The Stability and Growth Pact rules are fully applied. Inside the rules of the Stability and Growth Pact there is a power, a competence, for the European Commission to say when they are applied. We have done it. We have launched procedures against member states,



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even big member states, based on the Stability and Growth Pact, for excessive deficit procedure. It is not true that we do not apply the rules.

Q2122 **Mr Rees-Mogg:** The rules were fully applied, were they? Just remind me, what was Italy's debt-to-GDP ratio when it joined the euro, with these fully applied rules? Did it meet the Maastricht criteria?

Guy Verhofstadt: Too high, but it was also put on the procedures that—

Q2123 **Mr Rees-Mogg:** But it did not meet the rules, did it?

Guy Verhofstadt: No, sorry—

Q2124 **Mr Rees-Mogg:** No, so the rules were flexed. The rules are the rules when the EU wants them to be the rules, and therefore it is saying, "These will be the rules because we will want to impose a hard border", but the rules could be flexed in this area because, as you said in one of your earlier answers, you represent a law-making body.

Guy Verhofstadt: The flexibilities that have been used inside towards deficits and public debts towards countries of the eurozone were possibilities that were foreseen in the rules of the Stability and Growth Pact. The Commission did not go outside the rules of the Stability and Growth Pact. They have used the flexibility foreseen in the rules of the Stability and Growth Pact.

Q2125 **Mr Rees-Mogg:** These were the rules to join in the first place, which were much clearer. The Stability and Growth Pact does have an ability not to fine countries, and, as you will of course remember, when Germany broke the deficit level its fine was remitted.

Guy Verhofstadt: In the Stability and Growth Pact there is flexibility. This flexibility has been extended now in the latest changes of the Stability and Growth Pact.

Q2126 **Mr Rees-Mogg:** There was no flexibility in the no-bailout clause. That was absolutely clear in the Maastricht Treaty. Then it was done through something that was meant to be there for natural disasters.

Guy Verhofstadt: What is your point now: that we are too flexible in the Stability and Growth Pact in a currency union you are not part of?

Q2127 **Mr Rees-Mogg:** My point is that you say to us that the rules are the rules and they must be applied, but I am telling you that there is considerable evidence that the EU does not apply the rules when it is not in its interest to.

Guy Verhofstadt: If you think that a country is not following the rules, or that the European Union is not following the rules, there is always the court. You can go to court and say, "The European Union does not apply its own rules", and the European Union can be condemned. That is a rule-based system and that is exactly what we have in the Union. The difficulty of this negotiation is a little bit the lack of recognition from one



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side that this is a rule-based system—that we cannot invent a relationship or partnership that goes against these rules.

Q2128 **Mr Rees-Mogg:** It is a rules-based system when it suits the European Union and amazingly flexible when it does not.

Guy Verhofstadt: That is not true. That is not true.

Mr Rees-Mogg: It is perfectly true.

Guy Verhofstadt: I have a lot of criticism towards the European Union, but you cannot say, “Yes, that is a system that adapts itself when it suits one or other big member states”.

Q2129 **Mr Rees-Mogg:** Did the Maastricht Treaty allow for bailouts?

Guy Verhofstadt: The Maastricht Treaty said a lot of things. I lived the Maastricht Treaty as a Prime Minister of Belgium. It obliged us to do the 60%; I am now talking about debt. It made us do enormous efforts. It is rule-based.

Q2130 **Mr Rees-Mogg:** It said no bailouts and that was overridden. The point is very simple. The EU makes rules and it can make rules to suit circumstances if it chooses to, but, by a voluntary decision, it is choosing to say that its rules are sacrosanct, when in other areas it has been much more flexible. This ought to be part of a sensible negotiation, rather than the EU simply saying, “We will stick to rules, which we have not done in the past”.

Guy Verhofstadt: We stick to a rule-based system and we will not undo this rule-based system, with the ECJ having oversight of all this during this negotiation.

Q2131 **Mr Rees-Mogg:** In this negotiation, but it has been done in the past.

Guy Verhofstadt: In this negotiation, like in other negotiations, like in any negotiation that the European Union has with another country.

Chair: I know that John wants to come back on one point to do with something that was in the newspapers this morning.

Q2132 **Mr Whittingdale:** Mr Verhofstadt, you have been very generous with your time, but I just wanted to raise one small issue. It is to come back to the issue of security. I think it is widely recognised that the British intelligence capability is probably the best in Europe, and you may have seen some remarks by the head of GCHQ, who stated that British intelligence has helped to prevent four attacks on the continent of Europe in the past year.

Surely it makes sense for everybody that we should just say that in this specific area we will do nothing that will diminish intelligence-sharing and co-operation, and indeed we will continue to try to build it up; just take that out of the negotiations and say that it is so important to save people’s lives that we should just agree that now.



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Guy Verhofstadt: Yes. Yesterday, in my intervention before the Fundamental Rights Agency, I indicated how it could work and on what the sharing of information would be based. Already today you are not in a number of co-operations of internal security in the Union. I have indicated how it would work and how also this exchange of information can work in this new environment that we are creating. I will not repeat this; that is the reason why I have a copy here. Maybe I could ask you if it could be spread to all the members.

Chair: We would be very happy to circulate it.

Guy Verhofstadt: It gives in detail how we see the European arrest warrant will work and, if that is not possible, what system could be put in place. On the sharing of information, if there is no direct access to the database of Europol, for example, it gives how we can find a system where there can be an automatic exchange of information on a regular basis.

Q2133 **Mr Whittingdale:** You are still suggesting that somehow we should seek an arrangement that is going to be less comprehensive than the one we have at the moment. Is it not just common sense that we should not have negotiations on this? We should just say, "Intelligence sharing will continue as it does now".

Guy Verhofstadt: Intelligence sharing will continue. You have to put that in a framework that is consistent. From the beginning my feeling is about why it is sometimes so difficult between the EU and the UK to talk about these things. Maybe you are very practical people. You say, "There is a problem. Here is the solution. There is a new problem. Here is the solution". On the continent, we need a little bit of concept, saying, "What is the basis for it? What is the framework for it?"

That is exactly what I have done yesterday. That is to find, for every one of these co-operations, a maximum of co-operation that is possible to avoid any disruption in the field of security, because we do not want that. You do not want that, we do not want that, but we have to get it right on the right basis, in the right framework and that is what I have done.

Q2134 **Chair:** If you leave it with us, we will circulate that to members of the Committee. Can I ask one final question? On this same point, you said a number of times, "This is not possible", and "We have our rules and our framework". Can I bring it back to Galileo as a for-instance? You said, "We have a regulation that the British helped to draft". What would Britain have to do, what would Britain have to say, what would Britain have to accept, in order to continue to participate in the Galileo programme?

Guy Verhofstadt: They can continue to participate in the Galileo programme. That is within the rules that we have agreed on. It is not that they cannot participate.

Q2135 **Chair:** What would Britain have to say for that to happen, as a non-



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member state? What would Britain have to do?

Guy Verhofstadt: We want the maximum possible participation in the Galileo programme and we have said, "Yes, that is possible within the rules that are applicable in Galileo and that have been approved by the UK". What we are proposing as a participation of the UK in the Galileo programme is the maximum possible within the rules of Galileo.

Q2136 **Chair:** That is precisely my question, Mr Verhofstadt. You have referred obviously to the British red lines. In this final question I am just exploring the European Union's red lines. The answer you appear to be giving is, "We can agree a certain amount of co-operation but no further because of the rules that we have at the moment".

The question I am trying to understand is if Britain said, "We are prepared to agree to this, this and this", could we continue to participate as we do now in the Galileo programme? That includes, linking to John's point, sharing information, which we are told we will not be able to get once we have left because in some way Britain is a security risk?

Guy Verhofstadt: The only way to do that is then to change the basic rules of the Galileo programme.

Q2137 **Chair:** Are you willing to do that if Britain says we are prepared to accept ECJ oversight?

Guy Verhofstadt: I do not see for the moment any wish to open the regulation of the Galileo programme.

Q2138 **Chair:** In the case of Galileo, it does not matter what Britain offered.

Guy Verhofstadt: But you are saying, "We want the effective status quo". That is what you want.

Q2139 **Chair:** Accepting ECJ jurisdiction, obviously continuing financial contribution or whatever—you are saying there is nothing that we could offer in the negotiations that would enable the regulation to be changed. Is that the position?

Guy Verhofstadt: No. I am saying that in the actual regulation what we have said is the maximum of what is possible in the regulation. Then we need to change the regulation. That is what I am saying.

Q2140 **Chair:** Would you be willing to change the regulation?

Guy Verhofstadt: I am not in a position to say, "Yes, there is a possibility in the Union to change the regulation on Galileo". I am not in the position to tell you that, no.

Q2141 **Chair:** Would you have an objection in principle to changing it to allow continued participation as happens now?

Guy Verhofstadt: In principle, I have nothing to wish about this. It is the regulation. You think, "Okay, put the question on the table". If the British side is saying, "We want to open the regulation of Galileo now, as



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we are a member of the Union", you can do that. Put the proposal on the table. That is another way of thinking, but you cannot expect me to say, "Yes, and I think the Union is willing to open the regulation on Galileo". I am not in a position to tell you that.

Chair: Thank you very much. You have been wonderfully patient and generous with your time. As you can see, almost every member of the Committee who was here today was keen to ask you questions, which is why we have appreciated you coming along. We wish you good luck this afternoon with the Home Affairs Committee.