

TUESDAY 14 JULY 2009

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Present

Cohen of Pimlico, B  
Dykes, L  
Hannay of Chiswick, L  
Jopling, L  
Kerr of Kinlochard, L  
Plumb, L  
Richard, L  
Roper, L (Chairman)  
Teverson, L

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Witness: **Baroness Kinnock of Holyhead**, a Member of the House, Minister for Europe, and **Mr Matthew Rycroft CBE**, EU Director, Foreign and Commonwealth Office, examined.

**Q1 Chairman:** Minister, thank you very much indeed for coming. We know what a hectic week you are having in your opening weeks as Minister and we very much appreciate your being here. We are also very pleased to see Mr Rycroft with you again. We very much appreciate the written evidence that Mr Rycroft submitted to our recent inquiry into co-decision. We, of course, as a Committee very much appreciated the remarks that you made about our reports in the opening part of your maiden speech. Thank you very much for that. This session is on the record and it will be webcast. The Foreign Office will receive a transcript of the meeting and will have the opportunity to propose corrections. Any Members who do have relevant interests are of course asked to declare them. Minister, the first question I would like to ask you is whether you can tell the Committee something about the current state of play of the negotiations for the ratification of the Lisbon Treaty.

**Baroness Kinnock of Holyhead:** Perhaps I could at the outset, My Lord Chairman, thank you very much for your kind words and say how delighted I am to be here with you all as Minister for Europe and to appear before this Committee for the first time. I thank you for

the invitation. I have spent many years of my political life steeped in EU matters, as many of you around this table with whom I have worked will know very well, and I can confirm what a wonderful reputation this Committee has both for the expertise of its individual Members and for the quality of the reports which you produce. You alluded, My Lord Chairman, to my maiden speech, in which I paid tribute to your Lordships' vigorous and involved work in this Committee and indeed in your sub-committees. Perhaps I could say at the outset, since we are looking at the issues related to the June Council, that I think the Council was very satisfactory as far as the UK was concerned. We saw a resolution of the two main points, on the Lisbon Treaty and on the financial supervision issues, and so I am very glad to be here to discuss the issues that you wish to raise around the Council. On the ratification, one of the issues relates to the German Constitutional Court which has said that Germany must make changes to its law, including giving Parliament more powers over European Union lawmaking before it would be permissible to ratify the Treaty, so we will be looking at it. The Government is not in a position to comment on the purely internal matter of ratification as far as Germany is concerned. It is a matter of course for the German government to resolve. However, we are aware from the press and the contacts that we have had with German colleagues that the German government will make changes. It anticipates making changes to domestic legislation before the end of September, which will allow Germany to ratify the Treaty. We are not absolutely certain what changes they will introduce in their domestic legislation in order to comply with the Constitutional Court ruling, but we should be clear that Chancellor Merkel has said "The Basic Law has said yes to the Treaty." That is the position she has taken: the Court decided that the Lisbon Treaty is compatible with German Basic Law. Turning to the Czech Republic and Poland, the Czech Republic has completed the parliamentary process. The final step is for the President to sign off the instrument, as I am sure you are aware, for ratification. When that happens is a matter for the Czech Government

to decide. The same applies for Poland. They have finished the parliamentary stages and they are also waiting for the signature of the President.

**Chairman:** Thank you very much indeed.

**Q2 Lord Dykes:** Thank you, Minister, for those words. May I refer first of all to the European Council's decision to nominate Mr Barroso as their candidate for the President of the next Commission. That is referred to on page 4, paragraph 7 of the Presidency Conclusions, as we know. There were one or two newspaper references in a number of Member States about whether the Council was assuming that everything was going to go that way without any further thought and the European Parliament, despite the indications of the outgoing Presidency government and the incoming Presidency government, could then discuss with the European Parliament a timetable for July. They have indicated that that would not be so and it would not be practicable, and they would not, therefore, be able to approve his nomination until after the summer recess. That makes it appear to be much more complicated. When do you expect that the European Parliament will be in a position to vote on this nomination?

**Baroness Kinnock of Holyhead:** Yes. Thank you. As a Member of the European Parliament for 15 years, I have been in constant and regular contact with colleagues in the European Parliament to try to ascertain during this whole process what the likely outcome of their deliberations will be. I think we can be reasonably confident that the decision will be made to give Parliament's endorsement in the September session in Strasbourg. I think that is 14 September. The agenda will be provisionally agreed for the Strasbourg session in this Strasbourg session, taking place as we meet now. I am going to Strasbourg tomorrow to meet with colleagues and group leaders and so on to try to get more clarification on this issue. It is, I think I could fairly say, still fairly volatile and Parliament has been very preoccupied with the decisions it has had to take on chairs of committees and presidents of Parliament and all

the other decisions that have had to be put in place with the new membership coming in. The Swedish Presidency has been very active. I have been in regular contact with my colleague Cecilia Malmström, the Swedish Europe Minister, and I will be meeting her tomorrow to discuss ensuring that we can put as much .... “pressure” would be the wrong word, but that we can have as much influence as we can over trying to ensure that the nomination takes place in September. He can then be confirmed as President of the Commission and the distribution of portfolios and so on can take place.

**Q3 Lord Dykes:** Minister, even with that, and even if that goes fairly smoothly, there would be an effective delay in the formation of the new Commission and, therefore, one could say, the smooth running of the Union. What is really going to be done to reduce those difficulties and minimise that problem?

**Baroness Kinnock of Holyhead:** I still think the timescales are workable. I think Matthew will confirm that 1 November is the key date, and so the timescales are workable in terms of the nomination, and even if there were a delay to the following month it would still, I think, be a feasible option. I think all we can do is work within those parameters now and hope that we can ensure that we have as smooth a passage as possible for President Barroso. As you will know, there is no other candidate suggested at this time and so it would seem that there is no real option other than for the Parliament to do this. Certainly the Socialist Group is calling very strongly for a need to have a clear idea of what his agenda will be, what his priorities are, so I think that there will be some discussion about how to ensure that there is an opportunity for the Members of the Parliament to have those discussions with him about exactly how he sees his mandate and what priorities and issues he will be considering during his period of office. I think that is fair enough. One of the problems has been that the Parliament has felt left out of the consultations and was reluctant to look as if they were prepared just to give a rubber stamp to the Council decision. That was how I think all this tension arose. I think now

that some of the ruffled feathers are lying a bit more comfortably. I hope so anyway. I will be able to tell you more about that after I have been in Strasbourg this week.

**Q4 Lord Dykes:** Subject to that visit and what you discover there, do you feel that the ruffled feathers will be short term? There will not be any lasting harmful effect on the relationship between the Presidency and the Council of Ministers and the European Parliament itself will there?

**Baroness Kinnock of Holyhead:** No, I really do not think so. I think that once the dust has settled and all the portfolios have been put in place, then the next thing to move on to as far as that relationship is concerned will be the hearings that the Parliament will have with the designated Commissioners. They will need, if you like, to shape up before then, because that is a very complicated and important process. You will remember the Buttiglione incident when there was a delay, and we still managed to get things through in the allotted time. Hopefully, that can be the case. I personally feel reasonably confident now, having had grave doubts about how people would position themselves. Martin Schulz, the leader of the Socialist Group, is probably the key person in this. He is making regular statements now that he is willing to be positive about September.

**Q5 Lord Kerr of Kinlochard:** You spoke, Minister, about ruffled feathers in the PES. I must say I find it hard to understand why. Martin Schulz said that the procedure that the European Council have decided to follow was “politically, institutionally and legally unacceptable”. It would seem to me to be institutionally more than proper, because under the Nice Treaty, which is the one in force, no consultation with the Parliament was necessary, but they decided to act as if the Lisbon Treaty had been in force, requiring them to consult with the Parliament. What is this all about? Why this extreme language on what was actually a rather considerate position adopted by the European Council?

**Baroness Kinnock of Holyhead:** I agree. Legally the Council were perfectly within their rights to do what they did, but whether it was sensitive enough to do it in that way I do not know. I think that was what they felt, even people other than Martin Schulz. A head of steam, if you like, built up behind this resentment. I think it was all part of the new Parliament, all the tensions that were going on. I think about one-third of the Members are new, so it all then was not managed very well. Lord Plumb knows very well how these things can be in the European Parliament. It can be difficult to predict how the political groups will react because, of course, they are busy bargaining with each other for the various positions, and when that is taking place, to have this extra issue to try to deal with and to settle was obviously one step too far. I think then we reached July and there was no time really. This session has just been so full. They are only today introducing new members, so it would have been very difficult anyway. I think we can not lose too much face and say, "This has now happened and we will move on and not have any further dissension between the institutions on this matter."

**Q6 Lord Teverson:** I was going to put the opposite view to the Minister. Surely it is healthy for democracy that there is that tension. In fact, should we not be really worried if there was a consensus between the Parliament, the Commission and the Council? That would be a real worry. I personally quite welcome this. I would have thought that the Government would in terms of greater democratisation within Europe.

**Baroness Kinnock of Holyhead:** I know that underneath there is not this right of consultation but of course the Parliament have already had the right of interviewing Commissioners and holding Commissioners to account in the way that they have in the past. That was the feeling that they had. It was not that they had particular objections to the individual; it was much more that they felt that the Parliament had the right to ask questions about what its priorities were likely to be in the new mandate. I would certainly be someone who would say that it is

a duty of the Parliament to hold to account and to challenge the Executive. That is clearly their role. I regret that this has been a rather messy process and hopefully it can now be repaired and we can move on to tackle the other issues, the distribution of portfolios, which, again, is another source of difficulty, as all of you will be aware. When that happens, you can have, again, some increased tension.

**Q7 Lord Dykes:** Although the Treaty relationships would indicate that they should not necessarily raise this again, you said about no other names and so on, there has been newspaper speculation about other names being presented. I hope that is not going to happen.

**Baroness Kinnock of Holyhead:** I do not think anyone has said that they wish their name to go forward. I think names have appeared in the press but I have not heard of any really serious candidates.

**Q8 Baroness Cohen of Pimlico:** I wonder if I might turn now to ask you about the Commission's response to the financial crisis. I chair the sub-committee of this Committee which has responsibility for looking at the Commission papers on financial regulation – and of course trade, which is where we first met. I think our report was published on the same day as the meeting of the Presidency. Of course in our report, following, indeed, the Chairman of the Financial Services Agency, we said that really supervisory powers could only lie with Member States because Member States were the only people who would put their money where their mouth was. At paragraph 20 the Conclusions state that the European Supervisory Authorities “should not impinge in any way on the fiscal responsibilities of Member States.” That is fine, but how does it fit with the declaration in the same paragraph that these authorities should have “binding and proportionate decision making powers” over supervisors adhering to the single European rule book and over disagreements between home and host supervisors? I hope you can square that particular circle for us.

**Baroness Kinnock of Holyhead:** The Prime Minister did secure two key assurances at the June European Council and those are assurances which will clearly define the parameters of the forthcoming legislative proposals. The Conclusions make it very clear that no instance of binding mediation can have fiscal implications for national governments. That is clearly there. I think this is very much our holding line. The Conclusions ensure that the new body will not be able to come forward with decisions which could have implications for national taxpayers. That is something that is agreed. Secondly, they make clear that the binding mediation will be restricted to just three issues: first, supervisory cooperation; second, the application of rules; and, third, disagreements between home and host. Those are the three binding issues which were agreed under the Conclusions. As Matthew can confirm, we are in constant and regular touch with the Commission as they are now working on drafting this process. We have confidence that the Conclusions language which the heads agreed unanimously will, and will have to, appear in the final product.

**Mr Rycroft:** To add to that, Minister, in terms of squaring the circle, the Conclusions that you read from are clear. Our judgment is that it is possible to do both those things at once. If you like there are two conditions that need to be met in order for the legislation that will follow from the Commission's proposals to meet the requirements as agreed by the European Council. As the Minister says, the first is that there are no fiscal consequences on a Member State, and the second is that the scope is right, that they are limited to those three areas that you read out. From our perspective it is possible to do that and we look forward to seeing the draft proposals from the Commission and checking those drafts against those two criteria.

**Q9 Baroness Cohen of Pimlico:** Historically disagreements between home and host have been about money and have had financial implications, as in, "You should not have taken that money out of our country" or "You must give it back." I do not know how you think that is going to play.

**Mr Rycroft:** The first of those conditions is the one that comes first, is the most important. In the second of those conditions the sentence begins, “Subject to this ...” so subject to that first condition about no fiscal consequences, then there is the second condition about the scope of the potentially binding arbitration. Anything, whether it is in one of those three areas or not that has fiscal consequences potentially for Member States would be excluded from this under the terms of the agreement reached by the Prime Minister at the European Council.

**Q10 Baroness Cohen of Pimlico:** It goes where after the European Council?

**Mr Rycroft:** It goes to the Commission to come forward with draft proposals for the legislation. We are expecting to receive those for formal discussion in Council, in ECOFIN, in September.

**Q11 Baroness Cohen of Pimlico:** The decisions reached by the European Council bind on ECOFIN.

**Mr Rycroft:** Yes, and on the Commission in drafting the legislation.

**Q12 Baroness Cohen of Pimlico:** As I perhaps ought to have said, I would like to declare an interest as I am on the Board of the London Stock Exchange and I speak for the City of London. I am therefore grateful for any assurances that can be received in this matter because I think the City is still a little uneasy about the implications of the Council’s statement.

**Baroness Kinnock of Holyhead:** I think you would agree that the Prime Minister would have taken a very rigorous position on this issue. He would have wanted to clearly define what the regulations meant and what they did not mean. I would think that he and others will be watching very carefully to ensure that any anxieties that you and others whom you have talked about might have would be addressed. It will be followed very closely. I know that before the Council it was one of the issues that the Prime Minister was following extremely

closely. We had lengthy discussions with him on this matter. He was very well aware of all the implications and I do not think there were any pitfalls that he would have allowed us to have stepped into. I hope that you will be assured that that will be the case.

**Baroness Cohen of Pimlico:** Thank you.

**Q13 Lord Richard:** There is a very interesting proposal by the Commission to accelerate €19 billion of Social Fund support for employment, by which I assume they mean job creation schemes, support for small- and medium-sized enterprises, some extra training schemes and the whole agenda really of social fund expenditure. As I understand it, the Council failed to reach a decision on this. I would like to know, first, do the Government support the Commission's decision to bring forward the €19 billion, and, secondly, do we support full reimbursement of Member State expenditure on European Social Fund rather than co-financing? I might say that I have somewhat bitter memories of the time when I was in the Commission, doing my best to persuade the British Government here that it was in their interests that they should put up British funding to match the European monies so that we could get things done. It seems to me, on the face of it, that is rather a good procedure, a good idea, and I was wondering whether the Government support it. Thirdly, if you did not reach a decision in the Council, who is holding it up?

**Baroness Kinnoch of Holyhead:** On the first and second points it is more or less the same answer, because we do need to study the details of the Commission proposal – which we have not been able to do because it has not been finalised – before we can take a view, but one of the things we would very firmly say is that any proposal must be budget neutral and it must respect the EU financial framework. That is a very important criterion. On the reimbursement issue, again we need to see the detail of the proposal before we can take a final view and, again, budget neutrality is central to how we make that final view. I think there is involvement also for us to consider that the proposal would not make any additional money

available to England. These proposals will help Member States who have not been able to supply matched funding for 2009-2010 and who have thus been unable to draw down ESF funds. You are very familiar, I know, with these matters and it is a way of ensuring that we can do more for employment generation and so on with this funding, as you say.

**Q14 Lord Richard:** Do you think that in principle it is a good idea to move away from co-financing?

**Baroness Kinnock of Holyhead:** I do not think that can be a general principle for the long term, but I think in the short term and with the current crisis it is something that we should be looking at. I do not think that we in the UK would want to turn our backs on the opportunity to access extra funding. I was just last week in the North West, in Preston and Blackpool, where there is a substantial use of ESF funding and a real demand for more assistance to do the training and the job creation work that they see as essential to regenerating the economy in that region, but I think as a long-term option it is not all you do. I worked in Wales on structural funds for many years, and matched funding is an issue but it is not one that cannot be overcome. If the task is one that the Welsh Assembly Government or the local authorities think is important enough, they can do it.

**Q15 Lord Richard:** Can you help us a bit on the way in which it was received by the Council?

**Mr Rycroft:** I would like just to add one thing to what the Minister has said. To be clear on what the Commission are proposing in their Communication of 3 June which they are now turning into more detail, they are not suggesting that the linkage with matched funding should be cut altogether; they are, though, proposing that there should be an allowance for Member States to go ahead in 2009-2010 without the matched funding, provided that they make up the difference in 2011-2013. It is not quite as extreme a proposal as the Committee might have

thought, but even that back-loading would potentially have consequences for our own contribution to the budget, and that, as the Minister says, is extremely important for us, that we have budget neutrality and that our traditional budget discipline views are taken into account by the Commission. We have allies who share those views.

**Q16 Lord Richard:** What is the line up in the Council on it? Or did it not get that far?

*Mr Rycroft:* At the European Council it was a discussion very briefly – about one paragraph of the Conclusions.

*Baroness Kinnock of Holyhead:* This is something I will certainly keep my eye on as an issue.

**Q17 Lord Kerr of Kinlochard:** There are six paragraphs on climate change in the Conclusions, and I assume there was some discussion. I have to say that they are not very exciting paragraphs. There are three paragraphs on “the story so far”, and then one, of substance and then two more paragraphs in which the European Council tell everybody to get on and solve everything, saying that the Presidency and the Commission and the Council must get a move on. The only paragraph in which there is some content is paragraph 31, which is the only paragraph in the European Council Conclusions that carries a footnote – which is usually a good signal of a row. It is quite a good candidate for a row too, because it is the paragraph about who pays and the footnote is very firmly about who pays. There are two issues really. The footnote is about the internal burden-sharing issue and the paragraph on the whole is about the principles to be followed in considering how to help all but the least developed countries contribute to the fight against climate change. I cannot help feeling that this paragraph got changed and perhaps contained rather more at the start of the discussion than it has ended up with at the end. Is that wrong?

*Baroness Kinnock of Holyhead:* Yes, I think it is. I was at the GAERC before the June Council and I was certainly very well aware of the fact that there were tensions on internal burden-sharing. It certainly is the case that Poland has reservations. You did not say it precisely, but you were very well aware that that is the case. I think it is absolutely right that the EU at this stage does not put a figure for its contribution on the table. Strategically that would not be the sensible thing to do. Because this close to the negotiations, I think it would be premature before December to do that. But what has been very positive subsequently – and certainly that was clear in the G8 – is the Prime Minister’s announcement on climate finance. It did not gain universal acclaim, because there was some resistance, as you suggest, to putting any kind of figure on climate change, but he spoke of \$100 billion per annum as a global figure, and that is something that I think did unblock negotiations and helped the G8 economies to agree on broad principles as they did. I think that was an initiative which was very positive and very important as far as moving this forward is concerned. With the Swedish Presidency, they have a very clear work plan now in place. They are energised on climate change, as you will be aware and would expect to be the case. They have a “super week” planned in October, when in one week ECOFIN, Environment and the European Council will come together and coalesce around climate change priorities. I think that is a very good initiative that the Swedes will have in October. We will also bilaterally have our dialogues with Member States, including the more recalcitrant ones, and hope that we will ensure that by December we will have that funding for the essential adaptation and mitigation efforts that need to be made if we are going to meet this enormous challenge on climate change. But I think the political will is growing behind that and I think you make a very important point. Hopefully we can, as Gordon Brown said, deal “urgently and substantially” – I thought that was a very Gordon Brown phrase – on climate change.

**Q18 Lord Kerr of Kinlochard:** I hope you are right, Minister. I certainly agree with you that the Swedish Presidency will do as well as anybody possibly could, but there is quite a lot of ground to cover. I understand why putting a public financial offer on the table at this stage would not be a very good idea, but the internal discussion about what the European Union's offer should be and how it should be financed, will be quite difficult. Perhaps more important, since one will presumably hope to get people to agree the institutional structure at Copenhagen, would it not be good to have the Union's prescription out there well ahead of Copenhagen? I see the Conclusions state that we do agree that there should be a "comprehensive system to measure, report and verify mitigation actions" in developing countries. That presumably is the assurance system: recipients of support need to be doing something to earn that support. What is the European Union's proposal for that mechanism? Do the British Government agree with it?

**Mr Rycroft:** Just going back to your first question, Lord Kerr, I think the sentence in that paragraph which is interesting is the one before the footnote, which talks about the two main principles in working out how the contributions should be made, which are both the ability to pay and the responsibility for emissions. That is the European Union's position and now, as a result of the weekend's meetings, the position of the G8 and the Major Economies Forum. It might not be as exciting as some people would like, but it is nevertheless progress towards Copenhagen. Secondly, as the Minister said, the October European Council is really the date by which the European Union needs to have decided its position in order, as you imply, to be in a position of raising the levels of ambition as we would like to do for Copenhagen itself. So the discussion between now and October will be both about the internal burden-sharing – the Polish issue – and about more precision as to the model that we in the EU would like to propose for the rest of the world.

**Baroness Kinnock of Holyhead:** The Swedes do have a very clear work plan on this, including this week in October. I think that date is a good one. It is not too soon but it is in plenty of time for the EU to be at the vanguard of these efforts, just as we were on the Millennium Development Goals. It was the EU that led, before Gleneagles, the G8 and I think we can do that again. That leadership, as you suggest, is extremely important in these matters and we do need to be clear and we do need to put the money upfront, but the ability to pay and an assessment of total emissions are the two criteria that the European Union will apply. But you are right to raise these concerns, and the more we do it, the more likely we are to ensure that there is the kind of action which the UK is certainly pushing for. We are, I think, amongst the leading Member States on this matter. There is resistance from some Member States to naming figures just yet, although they are all obviously talking about it, but there is pressure on Member States' budgets, as we all know, and we do need to allow them the time until October to come up with feasible figures and ones that are not necessarily recycled, re-badged figures.

**Q19 Lord Kerr of Kinlochard:** That will be the difficult bit, I quite agree, but I am just wondering whether there is a UK prescription for what might be a slightly easier bit, the institutional structure. I am sure the Swedes will come forward with a very interesting proposal, and the Commission do know that, but I am just wondering whether we are trying to nudge them in any particular direction. Is there a British proposal?

**Baroness Kinnock of Holyhead:** It is my understanding that this is already happening behind the scenes. Discussions are going on and they are formulating a way that the UK can work with the Swedes and others to put in place a planned strategy to ensure that we get the outcome that we want. You know, Lord Kerr, how things can go on behind the scenes.

**Lord Kerr of Kinlochard:** I never divulge such things!

**Q20 Lord Jopling:** Minister, can I take you on to paragraph 37 of the Conclusions. You see at the end of that paragraph that the Council have underlined “a need for strengthened border control operations coordinated by FRONTEX, clear rules of engagement for joint patrolling and the disembarkation of rescued persons...” Minister, I do not know whether you have had a chance of seeing a report from Sub-Committee F on FRONTEX, which came out some time ago and which was debated on the floor of the House. It is very clear that the rules of engagement are pretty opaque and confusing. As we understand it, the Commission have set up working groups to develop guidelines which are meant to deal with the specific case of what happens in joint operations which FRONTEX sets up. In our report we recommended that these guidelines generally should be developed and made clearer and in the response which the Government sent us they agreed with this but they have not told us what they intend to do about it. I think this is an urgent matter with the problems of illegal immigration, and I would be grateful to know particularly when the rules of engagement are going to be produced and whether they are likely to be guidelines or a binding decision?

**Baroness Kinnock of Holyhead:** Clearly we support clear rules of engagement for the joint sea patrols, as you suggest, engaged in the FRONTEX operations, as well as, as I think you again suggest, clear rules of disembarkation of persons rescued in the Mediterranean. Following difficulties in securing the agreement of all the Schengen States on the content of a binding measure, the Commission is now currently working on how to take this issue forward. We expect further proposals in September this year, so that is the kind of timescale that I think we are looking at now. It is not then clear when we might expect the rules of engagement to be agreed, or indeed then when they would enter into force. If the guidelines were agreed, then they could come in in as short a time as two or three months, so that would be acceptable. If a binding decision is aimed for, the content is likely to be highly disputed by

some of the Schengen States and therefore an agreement could take considerably longer to be made between the States.

**Q21 Lord Jopling:** Minister, turning to paragraph 38, which deals with the effectiveness on the EU's readmission agreements. "The effectiveness of the EU's readmission agreements need to be increased as part of the overall EU external policies. Concluding the negotiations on the EC readmission agreements with key countries of origin and transit such as Libya and Turkey is a priority; until then, already existing bilateral agreements should be adequately implemented." The problem here, Minister, is that a number of bodies, including the United Nations, have said that Libya is not a safe country for asylum and that serious human rights abuses of migrants are reported. I wonder if you could tell us whether the Government or any other Member States share concerns over the co-operation necessary on illegal immigration with Libya?

**Baroness Kinnock of Holyhead:** I can say very clearly at the outset that our working with Libya to tackle migration flows is very much a top priority for us and you are absolutely right to identify that. Their co-operation on illegal immigration migration is critical to making sure that we can secure our own borders as well as address some of the other issues that you mentioned. You might be interested to know that we have now posted a full-time diplomat at first secretary level to the British Embassy in Libya, to work with other European Union Member States and the Libyans on border control and related migration and visa issues, because of course we recognise the serious situation that you have described in Libya for transit migrants and also along the East and West African migration routes to Libya. It is a very important issue, and, as I have said, we do have this person now working specifically on this and trying to co-ordinate efforts to deal perhaps more effectively with the matter. UNHCR, as I am sure you are also aware, has a very important role to play in this, and is working very much to try to ensure the proper treatment of the migrants. They have

confirmed, because it was not the case in the past, that UNHCR are now working in some of these migrant camps with illegal migrants. That is something that we welcome and want to see more engagement by UNHCR with these poor people. We are working with the Libyan authorities to reduce transit migration through funding, also, an assisted voluntary return scheme for migrants stranded in Libya. That, again, is something that is very constructive. They are provided with financial recourse so that they can re-establish themselves in their home countries rather than make the dangerous journey by boat across the Mediterranean. I think that is the key issue as far as dealing with this migration, to try to ensure that people are able to have livelihoods in the countries that they have come from rather than make that journey. I was in Senegal a year ago and saw some of the villages and the villagers whose sons had never come home, who had never landed on any coast, having taken off as economic migrants from Senegal. The tragedy is something that we need to address in as many positive ways as we can. The UK seeks to return migrants who have no right to remain in the UK to their countries of origin, and that includes people who have claimed asylum in the UK but whose claims have been found to be fraudulent. But anyone who has proven to be genuinely requiring international protection, of course the UK will be giving that protection very, very consciously to those people.

**Q22 Lord Plumb:** My Lord Chairman, I never thought in my wildest dreams that I would have the opportunity of putting an agricultural question to the noble Baroness. We worked together for many years in the European Parliament. To put a question on the dairy sector, I declare an interest, since I think I am the last in the line of six generations of dairymen and we have given it up for quite obvious reasons. The problems in the dairy sector of course are widespread in Europe. Numbers have been going down, production has been decreasing – although of course changes do take place in technology – and it is due to the price decrease, as we are told regularly by various people in other parts of Europe, and that is in spite of the

fact that a considerable amount of money has been put in by the Commission for intervention for storage, for export refunds and so on. Paragraph 14 sets out very clearly that there was a discussion on the dairy market, and the Commission are invited to present an in-depth market analysis within the next two months, including possible options for stabilising the market while respecting the outcome of the Health Check. I think are questions are obvious. What measures do you think the Commission make in these proposals? What measures will the Government support? How might you ensure that any measures agreed will not threaten the planned phasing-out of milk quotas by 2015? I think I can put my hand on my heart and say that in this country you will not have much difficulty with that particular issue, since the majority of people involved in the dairy industry are in favour of the phasing out of quotas by 2015. You may have difficulty in other parts of Europe. You are aware, of course, of the high exit rate of dairy farmers in this country: three a week over the last ten years, which is quite remarkable. The numbers over a ten-year period have gone down by 49 per cent. There are almost half the number of dairy herds in this country than there were just ten years ago. In addition to that, 42,000 animals have been slaughtered because they have TB. TB is still running rampant right across the country, which is pretty disgraceful, frankly, in a country where we should have been dealing with this a very long time ago. The compensation paid over the last year is something like £33 million – a very considerable amount of compensation – therefore, it is a cost which government has to bear. We would like to know, however, how you see this general situation, particularly in the context of the preparation following the CAP Health Check for the changes that inevitably will take place in the next year or so.

**Baroness Kinnock of Holyhead:** Thank you. I have to call you Henry! We have travelled the world together, Henry Plumb and I, and I should have anticipated that he would be asking an agricultural question. I am very pleased to make an attempt at answering it. You may have noticed that in today's *FT* there is a piece about the EU farm ministers agreeing

yesterday to extend the purchase of butter and skimmed milk in order to prop up the dairy market, so already you are seeing some response. It is difficult to know, I think, what the report expected around 22 July will say. My understanding is that most market measures have already been used and the Commission, it seems, does not have many tools at its disposal to deal with the predicament in which the farmers find themselves and ways of supporting the sector. It might be difficult because of that factor. I think it may be that the Commission may extend the market intervention period and increase the rate of export refunds for cheese, because various Member States are pressing for these measures, as I am sure you are aware. The second point you raised was on what measures we will support. I would have to say that we do not know what we can support until we see what the Commission proposes, however we could fairly say that we are concerned because short-term measures, if they were to be taken at this time, would mask the need for longer-term changes, such as the sector restructuring across Europe that needs to take place. Also, as you suggest, Lord Plumb, any potential for unravelling the CAP Health Check package, specifically the timing for ending milk quotas, would be an issue of some concern. The main factor is we can only surmise what might be in there but we can certainly say that we would look very seriously at the proposals. As you know, the UK is very committed to maintaining a timetable and avoiding further uncertainty for the industry when they need it least.

**Q23 Lord Plumb:** There are two things that are of concern to dairy farmers at the moment, and this goes for wider Europe too. The slurry storage proposals, which are going to be extremely costly, and the NBZ zones, which are going to affect the dairy industry to a very large extent, are matters on which I would not expect you to comment on at the moment.

**Baroness Kinnock of Holyhead:** Good. Thank you. You are a friend!

**Q24 Lord Plumb:** But I would like you to consider them because they are matters of great concern to the whole of the dairy industry, which is important. Of course then I could add to that that the whole problem of TB. We are going to start vaccinating the badgers themselves next year and that in itself is going to be a very considerable problem. I was talking to Defra yesterday and they said this is not a problem. Well, I do know a little bit about badgers and to catch the badgers and vaccinate them and suppose that they are trying to control TB in that way is a matter of considerable concern. We shall watch that with great interest. I merely raise this because I hope the Minister will have regard for them, not necessarily to answer them now but to consider them.

**Baroness Kinnock of Holyhead:** Thank you.

**Chairman:** Thank you very much indeed.

**Q25 Lord Teverson:** Perhaps we can move on to something far more simple, dealing with Iran! The declaration in the annex is fine and very commendable for when the meeting took place and the declaration was published, but since then things have moved along, worse rather than better. We would like to understand an update in terms of the British Embassy's situation, but also I know there has been concern about French reporters or student reporters and other Member States have difficulties with Iran's behaviour at the moment and where we are on that. Is this going to be a situation where there is European solidarity among ambassadors or in other areas, and the leverage that we can put there? Then, to move on to the medium term or certainly beyond the immediate timescale: how does this affect what is one of the most important strategic issues, that of the nuclear development within Iran and EU3 plus 3?

**Baroness Kinnock of Holyhead:** Clearly the freeing of the staff from detention is of the highest priority for the UK Government at this time. That this action has been taken by the authorities in Iran has been totally unacceptable. Very clearly, we and our European partners

have told the European authorities that the detention of staff is unacceptable harassment of the work of our missions. That has been made very clear and we have the support of other Member States of the European Union on that position that we have taken. We have summoned all Iranian ambassadors in the EU to protest to them about this, so it has been a concerted effort. I had an update today. Still we have had no further news on the detention. I am sure you will be, as we will be, waiting to hear whether we get any further response. Every pressure is being put on the Iranians at this time. The Foreign Secretary has spoken to his opposite number. The Presidency has made a demarche to the Iranian Foreign Minister in Tehran and there have been a number of calls. The Swedes are very involved in this matter and they have been talking to their opposite number as well, so everyone is pulling together behind the efforts that we are making for the staff. Eight of our nine detained staff, as you know, now have been released, but the last staff member must be released and must be allowed to return to work without these accusations hanging over his head. I think it is very important that we maintain that very principled and strong position on this matter, and I can assure you that we certainly will be doing that. As far as the collective response across the EU is concerned, it has been an example of us working very well together and all the support that we have asked for has been given and the Swedes in the Presidency have been also very helpful.

**Q26 Lord Teverson:** Soon after the arrest of the Embassy officials there was a very strong message from the European Union about a joint withdrawal of ambassadors. If you like, that was painted on the wall as to what the European response would be. We have not had that. I understand, of course, that most of those staff have been released, but, as you say, we still have one there. Has Iran called our bluff by part meeting that and then called off what we had said we would do?

**Baroness Kinnock of Holyhead:** We have said and they need to understand that if there is any further harassment or intimidation, then EU partners are clear that this will lead to what is described as a “firm response”. I think maybe we can presume that this would be the kind of action that would be taken by Member States. Certainly discussions are taking place on that. Also, you should know that we have also been working with French colleagues. They are working, similarly, for the release of a French academic. That, again, is an example of that kind of collaboration. On the second issue, on the fallout, it is not clear how the Iranian elections and their aftermath will affect the nuclear issue. We have all read a lot of analysis in the press and so on on this, and it is obviously an issue of deep concern for all of us who see what has happened and what could potentially happen. The potential for negotiations on this matter has seriously been damaged at this time, so we need to find ways of convening around the issue of the nuclear programme that Iran has. Significant issues, in particular the nuclear file, will be addressed and our position is clear. The EU3 plus 3 has made it clear that it is prepared to negotiate, and Iran, therefore, as I said on the other matter, needs to take urgent positive steps as a response. Then we can see where we take it from there, but at the moment there seems to be a standoff.

**Q27 Lord Jopling:** Thank you. On the Iranian nuclear energy project, I found myself a short time ago in Vienna meeting with the Iranian ambassador to the International Atomic Energy Agency and it seems to me that Iran relies on what I would perhaps describe as a Clintonian ingenuity of the use of words by claiming that they do not have a programme to produce nuclear weapons. I remember asking the ambassador straight up whether they were doing this and his answer was, “100 per cent no.” It seems clear to me that they are preparing all the strands which lead up to the point of putting them together to create a nuclear weapon. We think and I guess you think that they are in the process of producing a nuclear weapon, they deny it. I was in the United States last week talking about these very things and they

were talking about the line beyond which it is clear that they are in the process of putting together the various strands, whether it is the delivery vehicles or the heavy warfare or all the other paraphernalia of producing highly enriched nuclear matter. Are the Commission and the Council prepared, once it is clear that the line has been passed and it is clear that they can no longer get away with saying 100 per cent no to producing a weapon, that the European Union will come down on them like a tonne of bricks, so it is clear that they cannot get away with trying to argue that they are not producing a nuclear weapon? I think the moment that point arrives it is very important to be very hard on them indeed.

**Baroness Kinnock of Holyhead:** I am sure everyone is very well aware of this. In the context of President Obama's efforts on nuclear non-proliferation with the Russians, it is very important that these efforts are made across the board to prevent further development of nuclear weapons at this time. This has to be put in the context of all of those efforts, and hopefully we can join together not only to resist any programmes that they might have but also for us all to look at where we are on nuclear proliferation.

**Q28 Chairman:** Minister, on behalf of the Committee thank you very much indeed for having come and for giving us your answers. We are of course particularly pleased to have our own Minister in our own House able to come and talk to us like this, but also, and perhaps even more importantly, it is very good to have a Minister who brings so many insights into the workings of the institutions of the Union. We have appreciated that this afternoon and I am sure we shall in future. We certainly look forward to working very closely with you. Thank you very much indeed.

**Baroness Kinnock of Holyhead:** Thank you. I look forward to it too.