

ANDREW MARR SHOW

THERESA MAY

TM: What I was doing in this speech was setting out an ambitious vision of the future economic partnership that we want the UK to have with the European Union once we've left. And it was a vision that was ambitious but it was also practically based and therefore a credible vision. It goes beyond anything that the European Union has done before in free-trade agreements because it's very broad, so it was covering issues like industrial goods, like cars, but also financial services, energy, transport, law, science, agriculture and fisheries. So it was setting out that ambitious vision but also speaking to people here in the UK and saying 'well, actually –

AM: Quite bluntly. You were quite blunt.

TM: Well, I was being straight with people. I think it's important to be straight with people. But there's also one of the messages behind the speech, I think, was to say to people, as I think most people – most members of the public feel, that the time for arguing, you know, either side of the referendum has gone. Actually this was about setting out an ambition for our future. And also saying to the European Union, the 27, and also the European Commission, 'We've set out what we want, we've set out where we think we can have this ambitious relationship that's good for prosperity on both sides, let's get on with it.'

AM: And now it's crunch time. And in the course of the speech, I thought you buried a couple of the sort of famous sayings that have dogged the Brexit talks. Liam Fox's terribly cheerful assertion, 'it's going to be the easiest negotiation in human history.' It's not been like that has it?

TM: Well, in one sense, we're doing a very simple thing, we're leaving the European Union. In another sense, of course, having been a member of the EU for over 40 years, there's a complexity to the relationship that we've developed. And what I was setting

out in the speech today was showing how, in a very practical way, we can move forward on parts of those relationship. So for example, you know, if somebody's building cars here in the UK they're probably using parts that have come from parts of the European Union.

AM: And they go back and forth all the time.

TM: Exactly, exactly. And I was saying we recognise that because we recognise the importance of people's jobs. What I set out today was a way we can continue to trade that ensures we maintain those jobs, maintain that prosperity.

AM: But it's certainly not easy. The other thing that I thought you buried finally was that this, in terms of access to European markets, this would deliver the exact same benefits as we have now, which is something that David Davis said and then later on you rather backed him up. So you've changed your mind on that?

TM: No, we're very clear that in terms of the benefit of being able to trade with the European Union, yes we do want to be able to continue to do that.

AM: But the access won't be as good will it?

TM: Well, there are some areas where we've looked at the issue of the single market. We're coming out of the single market. Being a member of the single market's an intrinsic part of being a member of the EU...

AM: It won't be so. Because you say, 'in certain ways our access to each other's markets will be less than it is now.'

TM: Yes. And I set out in the speech also a couple of areas where that will be the case. Actually one of them that might be of

particular interest to you, Andrew, is about broadcasting, because there are certain rules that follow from being a member of the EU. But what I said is, 'Let's face it, there are lots of people in member states of the European Union who like to switch on and watch the BBC.

AM: Hear, hear.

TM: So let's make sure we can continue to do that.

AM: Let me therefore move a little bit away from the BBC and broadcasting and ask you about the other big one, which is the City and passporting. Now, again and again Philip Hammond, your Chancellor, has said that passporting's really important to the City, it's absolutely crucial, and that we could not accept a deal that did not have proper access for the City. And yet in this speech you effectively buried passporting. You accept it's not going to happen.

TM: What I said in the speech is that we recognise that passporting is again part of being a member of the single market, which is part of being a member of the EU. We're coming out of the EU, we won't be a member of the single market in the future, but what we are looking at, what I set out in the speech, is a new relationship on financial services based on this concept of mutual recognition and agreement on regulations. One of the key things in financial services is the regulatory standards that banks and others are abiding by, because that's in the interest of consumers, of individuals and businesses. And actually if we look at the way we can achieve the ability for our banks to still be operating, still be providing the huge financial support that they do to other companies, there is a sense of –

AM: It's very important for our economy. Forty per cent of our exports to the EU are in services, particularly in banking and

financial services. A lot of bankers will be quite horrified that passporting is now officially off the table. You've got a new idea to put it into the free trade deal. How many trade deals have included financial services in the past?

TM: Well, there's quite a few that have financial services commitments in them. The one that had the most breadth of financial services in it was the trade deal that the EU were negotiating with the United States. Financial services are referenced in, for example, the deal with – with Canada. Yes, we want to go further, but that's recognition of the very important role that the City of London plays, not just for the UK but actually for the rest of the European Union. If you look at the significant sums of money businesses in the EU 27, in those other countries actually raise through the City of London it matters to them as well. But if we were to accept passporting we'd just be a rule taker, we'd have to abide by the rules that were being set elsewhere. And given the importance of financial stability, of ensuring the City of London, we can't just take the same rules without any say in them.

AM: A lot of bankers, a lot of big financial services companies, say that without passporting they will have to move the centre of their operations onto the European continent. What is your message to them today?

TM: My message to them is that what we're looking to develop is a relationship that means that they can stay here in the UK as part of the City of London, that they will be continuing to provide their services across the European Union, but they will know, given the sums of money involved, given the importance of financial stability, given the risk that actually the UK bears as a result of having the City here, that it's important that we do that on the basis of recognised regulatory standards, but we can't just

accept rules that are made elsewhere without us having a say in them.

AM: But it's never happened before, this kind of deal. This is a new deal that you're starting off from now to try to negotiate for the first time. So they're taking a risk if they stay here, in their view. Can I ask about an area which is perhaps easier? Can I ask you where regulatory divergence, doing things differently, is going to benefit Britain and benefit British jobs? Where can we look?

TM: We can look a number of areas of where we're aiming to do things differently in the past from the way that they have been as a member of the European Union.

AM: One will do.

TM: Well, I was just going to come onto one, don't you worry, Andrew. But This issue of regulations is important, because there will be some areas actually where it's important, like the car manufacturing we were talking about, being able to operate on the same basis is important for that business, that supply chain and the links in the supply chain. But if you look at, for example, at fisheries – and we're going to come out of the Common Fisheries Policy - if you look at agriculture, I think there's a lot we can be doing there. We want to maintain our high environmental and animal welfare standards, but you know, actually look to say, as I put in my speech, we want a fairer allocation of, you know, waters to UK fishermen.

AM: Agriculture is, I think, 0.7% of the British economy. Even if you do things better, it's not going to make a huge difference to the whole country. It will to farmers, obviously. Let's turn to manufacturing and goods, and in that again and again in this speech you have said that we are going to stay very closely

aligned to EU regulations, EU standards going forward. For how long will we remain aligned to them?

TM: Well, it will be for parliament to take, because we've voted for the UK to take back control of its own laws, and so they'll be for parliament. But what I said in the speech is – and I think this is why I've described the speech as being practically based – and what I've said in the speech is that if you look at industrial goods, if you look at manufacturing, there are many links that have been made, these supply chains across the UK and other countries in Europe, and what's important is that if you're making a car, for example, you want to know that you're making it at a standard that you can sell in the UK and into the European Union. So there will be areas we're maintaining those standards, and we might do it in a sometimes do it in a different way from the EU, sometimes it might be exactly the same. Sometimes we'll achieve the same outcome but do it in a different way.

AM: Isn't this the centre of the problem, however, that you've got, which is that you want to stay aligned in all these regulatory areas and you say we're not going to have a race to the bottom, we're going to do things at least as well as we do them now and in the same way that you do them. And presumably in the future if they change their rules we will change our rules accordingly in order to keep that market access. But you can't bind your successors.

TM: Crucially, parliament will be able to take decisions about the rules that are set, and so in the circumstances in which, say, the EU changed a particular rule, there'd be a decision for us to take: did we accept it in the future or not? But if we didn't accept it, there'd be an arbitration mechanism, an independent arbitration mechanism, so people would look at it and say, 'actually, you know what? If the UK doesn't accept that does it make any difference to the trading relationship?' And they might say, 'No, it doesn't.' So there's no consequence. They might say, 'Yes, it

does,' and so there would be a consequence to it. But that would be determined.

AM: So you're saying we might lose market access. The more we diverge, the more market access we might lose in the future.

TM: There'd be a decision to be taken. But the point is it would be here in the UK that parliament, if you like, the UK people through parliament, would be taking a decision and balancing the interests there between keeping the same rule or changing for the future. And you know, as we look at markets around the world what we want to do is to ensure that, yes, we're able to trade well with the European Union but we can also trade well with countries around the rest of the world.

AM: If you're somebody like James Dyson, a very keen Brexiteer, a great British entrepreneur and inventor, he's had lots and lots of trouble with EU rules on the energy use of vacuum cleaners. He makes very good vacuum cleaners, his German competitors have, in his view, as it were, helped to fix the rules against him. He thought that Brexit was going to be letting – leap free of all of this, off with the manacles. But your vision seems to be absolutely not that, we will stay closely aligned to those rules. A lot of manufacturers, a lot of pro-Brexit people are going to be very disappointed.

TM: No, there's a lot of areas in manufacturing where people are actively saying to us that they want to maintain the same standards. But what we're doing by coming out of the European Union is giving us the choice. So there will be some areas in any trade agreement when two countries, or when the EU with another country, is sitting down to say these are the terms on which we're going to trade with each other, sell products to each other, they agree certain rules that they're going to operate on. So there will be commitments to make, broadly in areas like fair

competition – we believe in fair competition. We want to make sure competition for our businesses in Europe is going to be fair in the future. But then we also look at other issues and say, 'Where does it just make sense, where does it make sense for our businesses, for European businesses, for people and their jobs, too keep those same standards?

TM: Where does – where is it right for us to say, actually we'll have the same outcome in standards but we might get at it in a different way, achieve it in a different way? And where actually do we think, no, we should diverge, that we should have a difference?

AM: This may be getting complicated for people watching, so let me try and sum up where I think we are. There are some areas where we will lose some access – and we've talked about passporting. There are other areas where you think diverging is going to be very, very good for Britain, and you've cited fisheries and farming. And there's other areas where we will stay quite closely aligned. Manufacturing and cars, in particular, you've mentioned. So those are, as it were, three different areas. That is why the EU talks about cherry picking.

TM: Well, first of all, just on the sort of three areas, we would look inside each of those areas as to what is right for the future. And on financial services we are looking to ensure that we get that good trade arrangement, but just doing it in a different way. This is what is important. That's the ambition that I'm setting out today. But as regards this reference you made to cherry picking –

AM: You gave a very good a defence of cherry picking in your speech, you said yes to cherry picking. Lots of cherries, cherries all over the place.

TM: What I said was if you look at what Europe does today, if you look at the European Union today, it has different trade agreements with different countries around the world.

AM: Sure.

TM: Each of those is different. And so if you say that looking at what suits your particular economies and putting that into a trade agreement is cherry picking, then they're cherry picking in every trade agreement they put forward.

AM: But on this particular issue, they may be bluffing, but at the moment they sound absolutely steely, absolutely unyielding - you know all the Barnier and Tusk and other quotes. I mean, John Major himself has said the chances of getting this kind of deal, the cherry picking kind of deal, is somewhere between zero and zilch.

TM: This is an ambitious deal. But what I've put forward is credible because it's based in practicality. But it also recognises what the European Union themselves said, the EU 27 themselves said at the beginning of this process when they set guidelines, because they talked about an ambitious wide-ranging relationship for the future. And that's what I believe is in the interests of people. People often talk about, you know, the UK and the EU and what we're negotiating. What lies underneath this is people and their futures. And that's what I was setting out in my speech, an ambitious, credible vision that is also a vision for Britain once we've left the European Union. Because Brexit isn't just an end in itself. Actually it's about the sort of country we're going to be in the future.

AM: There's been a lot of controversy about the border issue in Ireland. During the referendum campaign you said if you pulled out of the EU and came out of free movement, then how could you have a situation where there was an open border with a

country who's in the EU and had access to free movement? How does your speech help solve that?

TM: Well, it sets out some ways, particularly on the issue of customs across the border, in which we can resolve that, and I'm pleased to say that the Taoiseach – and I met him recently – has agreed that the UK and Irish governments and the Commission can sit down and look in more detail at the proposals that we've put forward. What I also set out in my speech, what you've been talking about, on regulatory standards, is also another important element of that issue of the movement of trade across borders.

AM: But you say very clearly in that part of the speech that those new regulatory standards which would remain at least as high as the EU's, would constrain our ability to lower regulatory standards for industrial goods. So you accept that your model for the Irish border does tie the hands of industry if they want to diverge from the EU?

TM: There are slightly different elements to this. I'm sorry about this, because it is a complicated subject. But there are various elements of ensuring that we don't have a hard border between Northern Ireland and Ireland. Part of it is the customs arrangements.

TM: Part of it is the standards we abide by. What I'm saying on the standards is that we will be looking to say where does it make sense, in a practical sense, because it's important for people, for their jobs, for their prosperity, for our country's prosperity, where does it make sense for us to say actually we'll abide by these standards? But can I just add this point, because I think this is quite important.

AM: Okay.

TM: Because we talk about EU standards but actually often what we're talking about is not EU standards, it's not European standards, it's international standards. Because many of these things are developed in an international market. And so what we'd be doing is ensuring that we're actually meeting standards that enable us to trade elsewhere.

AM: And do you think that the border line between Islington and Camden is a very useful comparison with the Irish border?

TM: I think the Irish border is something to which we are all committed. We're committed, the Irish government, all the parties in Northern Ireland, to making sure there's no hard border for the future, and that's why I'm pleased that with the Commission and the Irish government we'll be able to sit down and in a very much more detailed sense say, 'What are, you know, the proposals we've put forward, how would they work? Let's see which is the best option for the future.'

AM: Boris Johnson thinks there might have to be a hard border.

TM: No. Boris is absolutely clear that there won't be a hard border.

AM: That's what he wrote in his letter to you.

TM: He's clear that there won't be a hard border between Northern Ireland and Ireland, and we're working to that. We've got proposals as to how we can achieve that, now we're going to be able to sit down and talk with others about how we do that. But that's - part of my message in this speech overall was we - we've set out our ideas for the future, for this ambitious relationship, let's actually get on and start the negotiations, start actually sitting down and talking in detail about it.

AM: We've covered quite a lot of different areas already, but let me ask you about another really, really important one, which is about migration and free movement of people. In the speech you said that, 'UK citizens will still want to work and study in EU countries just as EU citizens will want to do the same here. We're open to discussing how to facilitate these valuable links.' What does that mean?

TM: Well, it means that we will, when we come out of the European Union, be able to set our own immigration rules. That was one of the reasons many people voted to come out of the European Union. But what we're not going to be doing is saying that nobody from the EU is ever going to be able to come to the UK.

AM: So it's easy movement perhaps.

TM: Well, that's a phrase that's being used by the Labour Party, I think to try and fudge their approach between free movement and – and other sorts of immigration. The important change –

AM: You're trying to fudge it too ..

TM: No, I'm not. No, the important thing is that we will set our rules for who can come into the country. That's what many people voted for. That's what was an element for a lot of people in the reason why they voted for Brexit. But what we're saying is that actually we're going to want to ensure that people from the UK can still go and – abroad to the other 27 members of the EU –

AM: And vice versa.

TM: - and vice versa.

AM: How?

TM: Businesses will want – well, that's what we will be negotiating. We'll be setting out our immigration rules; we'll negotiate with the EU. Because obviously we want to look at what happens to UK citizens as well as what happens to EU citizens.

AM: Alright. You said 'The hard fact is that EU law and the decisions of the European Court of Justice will continue to affect us,' and you gave lots of different examples of that. Lots of people thought that by leaving the EU we were going way away from the ECJ. It is going to carry on being involved in different issues is it not?

TM: No, it's not. The jurisdiction of the European Court of Justice in the United Kingdom will end. You're right, lots of people were also very concerned when they voted about this issue of who makes our laws. And whose courts do people go to? But the jurisdiction of the European Court of Justice in the United Kingdom will end. But there will be some circumstances in which the ECJ will continue to have an effect. So let me give you an example, not from the UK but elsewhere.

AM: Well –

TM: The United States agreed –

AM: One from the UK really.

TM: This is a practical example of something that's happened, Andrew, which I think helps to show what I'm talking about. The United States made an agreement with the EU about the exchange of data, sharing of data. The European Court of Justice said, because they determine for the EU whether that's law, said it wasn't.

TM: So it affected the overall agreement. So that's not saying that the ECJ can reach into the United Kingdom. It won't be able to. But obviously it has a role for people who will be living in the remaining countries of the European Union and for the governments who are making those decisions in those countries.

AM: Whenever we finally leave we are going have to see things very, very different. Can you give me a picture of how different life is going to be for business people once we have left?

TM: Well, I think the important thing for business people once we've left is that we will be ensuring that they're able to operate, not just on a good relationship with the European Union, continuing to trade there, but actually trading around the rest of the world as well. But crucially of course it isn't just about Brexit. The future for businesses in the UK is about our industrial strategy, the balanced approach we're taking to our economy. Ensuring our young people have the technical skills for the jobs of the future.

AM: And one of the problems that we have had over the last 12 months or so is that Brexit has completely swamped all other political debate. You've got a bit announcement on housing, for instance, coming out this weekend, and a lot of people look at that and say well it – it's alright, it's very interesting but it's really fiddling at the edges, it's not going to solve the fundamental problem we have in this house – this country of not nearly enough houses.

TM: Well, we do have a real problem in this country, we need to build more homes, we need to ensure – there are too many people in the UK today, particularly young people, who fear that they're never going to be able to own a place of their own. What I'm doing on Monday is setting out how we're rewriting the rule book in terms of planning. So that we're saying to councils, you've

got to take local communities into account, you've got to ensure you've got a proper plan for your local area. If you don't have it the government will intervene. We're ensuring that we won't see so much money being spent on expensive consultants by setting the number of homes on a national framework, a national calculation, the number homes needed in each area. But also what we as a government are going to do is release more public sector land and for homes and make sure actually that as we do so some of those homes are affordable for key people like nurses, working in our public services.

AM: You are going to face in the House of Commons, quite a serious challenge as you know, about the customs union. What happens if the House of Commons votes down that amendment on the customs union? If the House of Commons tries to tie your hands what do you do?

TM: Well, obviously we'll be having a discussion with members in the House of Commons, because what I've set out today in terms of a future customs arrangement with the EU I think is what most people actually want to see. Because what I think is of concern for a lot of people is making sure we have that trade across the border that is as frictionless as possible. I've put forward proposals in a customs arrangement that I believe –

AM: If they're determined to vote you down, is this a motion of confidence as far as you're concerned? If they vote you down you couldn't stay as Prime Minister could you?

TM: Well, what we're doing in looking at the customs issue as we go through these various Bills that are going through parliament, is saying what's the right customs arrangement for the United Kingdom to have with the EU in future that ensures that we can have tariff-free and as frictionless trade as possible across the border? We need to do that in any case, but of course we need to

do that for the border between Northern Ireland and Ireland. What I've set out today is a customs arrangement that achieves that.

AM: Alright.

TM: Now I want to get on with discussing it with the European Commission.

AM: Very final question, are there any circumstances in which you'd walk away from these negotiations?

TM: Well, I've said before that no deal is better than a bad deal. But I'm confident that we can get a good deal and get the right deal for the British people. And I'm confident about that because the EU themselves have said they want an ambitious and wide-ranging arrangement, relationship with us in the future. I've set five tests today. If we look at our future prosperity and security in the UK and in the other 27 countries, actually the right deal for us will be the right deal for them too. And it'll be the right deal for our people.

AM: Prime Minister, thank you very much for talking to us.