

GEORGE EUSTICE

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ENVIRONMENT SECRETARY

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AM: Mr Eustice, can I start by asking does the departure of Dominic Cummings mean anything at all for our approach to trade talks?

GE: No. Our approach to the trade talks with the European Union have been led by David Frost right from the beginning. He's got a very talented team of negotiators around him who are leading on that, and they're all still in place.

AM: So what does the departure of Mr Cummings, and indeed Lee Caine from Number 10 mean for the way that business is conducted in government generally? Is there going to be any change at all?

GE: Well, I mean, the prime minister obviously now has got three key advisers that he'll need to replace. Sir Eddy Lister has made clear that he wants to leave in the new year, so he needs to have a new chief of staff role. Dominic Cummings has departed, so he'll need a new director of strategy and a new press secretary as well. So obviously there's a lot of heat around this particular episode, but fundamentally what's going on here is some advisers have left and the prime minister will choose new ones.

AM: Why do you think the prime minister finds himself in this position?

GE: Well, I think there's a number of reasons. First of all, I've known Dominic Cummings for 20 years, so we worked together on the business for sterling campaign all those years ago, and he tends to – his great strength is in big strategic decisions like whether or not we should leave the EU, like the 2019 general

election. He's got many talents in terms of marshalling campaigns in these areas. That's his great strength. But look, as a year into the government, when we've got the pandemic to deal with and that's been taking up a lot of time and energy, it's obviously right for the prime minister, should he want to, to refresh the team and change the balance.

AM: You mentioned Brexit just now. If we don't get a free trade agreement with the EU, then British car manufacturers are going to face 10 per cent tariffs. What is the government's modelling of the effect of that on the car industry in terms of lost income and lost jobs?

GE: Well, there would be some impact from tariffs, but often it's quite modest. I don't know, I haven't seen the modelling on automotive, but we have done modelling for this on food prices, for instance.

AM: I'll come onto food in a minute, but the Society of Motor Manufacturers says it would cost the industry £47 billion over five years. That is four track and trace systems, to put it in simple terms. That's a huge amount of money. Is that modest?

GE: Well, I think the point that I'd make is tariffs on industrial goods tend to be quite low.

AM: 10 per cent is huge for car makers.

GE: Well, we do want to get a free trade agreement with the European Union, and an agreement could be done. We're not asking for anything remarkable, we're asking for an agreement akin to one that they have with Canada, we're asking for something that's got a precedent.

AM: And if you don't get it does the government know how many jobs in the car industry are going to go?

GE: Well, I think actually the car industry would adapt to this. They would change their supply chain. Some of the manufacturing

that currently happens in the EU would obviously move to happen in the UK to support the supply chain in the automotive sector we have here.

A: So Mike Hawes, who's chief executive of the Society of Motor Manufacturers and Traders says: 'a deal that failed to achieve zero tariff and zero quota trade would be the equivalent to no deal at all, devastating jobs and slamming the brakes on the UK's ambition to be a world leading manufacturer.'

GE: Well, it would be – it's correct that if we leave without a further negotiated settlement, then yes, we can expect tariffs on goods. But it's not the same as saying there'll be no deal at all, because of course we've already got the withdrawal agreement, the deals for some of the trickiest issues around Northern Ireland –

AM: We're talking about a trade deal here, obviously. Now, you mentioned food and your own area, which is agriculture, dairy farmers would face, if we don't have a deal with the EU, a 35 per cent tariff. What's your estimate of the effect of that on dairy farmers across Britain?

GE: We don't think there'll be an effect on dairy farmers.

AM: 35 per cent tariff?

GE: Because we'll be applying tariffs as well on imported EU goods. And we import a lot of dairy products currently predominantly from Denmark, some from Ireland as well and some from France. You know, what would happen –

AM: You mean we'd stop buying theirs and they'd stop buying ours?

GE: Yes, in a non-negotiated outcome what would happen is companies like Arla, which is a big Danish company and sells brands like Lurpak in the UK that are manufactured in Denmark, they would have to relocate that production to the UK.

AM: Nick Whelan, who's chief executive of Dale Farm, which you'll know. a very, very large dairy producer, says: 'the tariffs on their own will wipe out total profitability in the industry.'

GE: No, I don't accept that. We've done some work on tariffs and the impact is –

AM: The guy in charge of the farms.

GE: Well, I don't know whether he's talking about his production outside of the UK or not. And the reality is that if you look at agricultural sectors there is one sector in particular that would be affected, and that's the sheep sector, because we are a significant net exporter of lamb, and so we'd –

AM: 48 per cent, the highest –

GE: That's right, so it does affect sheep. But on every other sector we are basically a net importer. Barley's the only other one we're a net exporter. And on those sectors where we are a net importer it is obviously open to us to apply tariffs and we will on some of those imported goods to ensure that we make space in our market for British producers.

AM: Let's not move away from sheep in that case. Sarah Hendry, who's Director General of the Country Land and Business Association says, if the EU imposes these tariffs you've been talking about, 'many farmers will no longer have customers for their produce and their businesses could easily collapse. Lamb is one of the most obvious sectors to be hit.' 90 per cent of our sheep exports go to the EU. Lamb farmers across the UK are going to be devastated if you don't do a deal next week.

GE: No, that's not correct. Because it's also the case that the UK is by far and away the largest producer of lamb in the EU. Some 35 per cent of it.

AM: But if we won't sell it.

GE: We will sell it. But with increased prices in the EU. You have to accept that tariffs do also have an impact on prices. The price of lamb would rise in the EU. That would also mean that demand in the EU for lamb would go down and there would be a fall in

prices here in the UK in the short term. But also if we're not importing as much beef from Ireland, then those mixed beef and sheep enterprises would be able diversify into beef.

AM: Back in September last year Michael Gove said that the Treasury would make money available to help companies having special problems as a result of the transition out of the EU. Is that still the case?

GE: Well, we will be looking at that, obviously, but there's a lot of calls at the moment on the Treasury, with the pandemic.

AM: But not necessarily..

GE: Well, we all understand that there is less money around because a huge amount of effort has already gone into these areas. But we will be doing absolutely everything we can to help those sectors. And in the case of sheep the big peak export months are actually September and October, so we would have a period of leeway for at least six months before the impacts would be felt.

AM: You are a long term and passionate Brexiteer, but we just step back for a second and think about where we are in this country at the moment, with the covid crisis and the huge public spending and so forth. Caroline Fairbairn of the CBI made an interesting speech last week in which she said, 'it would be unconscionable to unleash a no-deal Brexit on the countries of Europe, the UK and the European Union, as we are facing this vicious second wave. And I've always felt and argued that a good deal was an economic necessity. I now think it's a moral necessity as well. I urge everyone who's involved in these negotiations now get a deal, we need it desperately.' Has the government heard her?

GE: The government's calling for the same. The prime minister last week said that we really needed to re-energise and the EU really needed to focus and refresh their mandate in these final weeks, because, yes, on many areas progress has been made and

agreements exist, and a lot of text has been drafted. There are these sticking points around, for instance, fisheries, around state aid rules. They can be resolved. We're not asking for anything miraculous. We're really asking for what other countries like Norway and Canada already have. And so it should be possible to reach that agreement.

AM: But in terms of that agreement, what we can do as the UK, the Irish deputy prime minister has said this morning that if we don't drop the Internal Market Bill there will be no deal. Do you accept that's reality?

GE: No, he also said that if there is a deal the concerns over the UK Internal Market Bill would fall away, and I think that's correct. The measures we took in the UK Internal Market Bill were really a safeguard to give effect to some of the force majeure clauses in the withdrawal agreement, should the joint committee process not come up with a result.

AM: We've talked about the consequences of there not being a deal. If you announce as a government now that we're going to drop the Internal Market Bill there could be a deal much more easily. Do you accept that?

GE: No, I don't accept that. Because the sticking points from the EU's point of view –

AM: That's what the EU says.

GE: No, that's not what they're saying. What the EU's saying is that they would like us to abide by their state aid regime and they'd like to enjoy all the access they currently have to our fishing waters. That's what's the sticking point in the negotiation. The UK Internal Market Bill really is a secondary issue. And that's really just about ensuring we've got legal clarity in the event that there isn't an agreement.

AM: That isn't what they think, but I accept –

GE: Well, I don't think they've said that they would accept –

AM: They've said they won't do a deal if the Internal Market Bill is not dropped.

GE: That's very different to saying they will do a deal if we dropped it. They're not saying that.

AM: Let's turn to Northern Ireland. Will consumers in Northern Ireland have the same range of foods that they do now after the first of January?

GE: Yes, because we're working through the joint committee process to ensure that supermarkets, and Tesco is the largest, but many other supermarkets also have operations in Northern Ireland, will be able to ensure there's a flow of goods to those stores.

AM: Because they don't think that's the case at the moment. I mean, the number one guy in Sainsbury said that, 'if we don't get greater clarity in the Northern Ireland situation we will see a restriction on the ranges of products we can sell.' He says, 'this is not one or two products in stores, I'm talking about, it's a substantial number of products, and quite key everyday products.' There's a real worry in Northern Ireland that as a result of these talks there is not going to be the same range of goods coming in.

GE: Yes, well there's two particular issues. One is that technically speaking supermarkets should have export health certificates to accompany their loads, and because they're complex, composite loads, that's a big administrative burden. So we've actually tabled some very detailed proposals through the joint committee process to resolve that so that export health certificates would not be needed on those composite loads, and that's going through that process now.

AM: Just to be clear, if you don't get that and these great big articulated lorries travelling to Northern Ireland with Sainsburys or Asda written down one side, they may have 4,000 different kinds of goods inside, and the health certificates cost between 50 and

200 pounds, depending on what they are, and each one needs one. So it's a massive, massive burden for the supermarkets. They're worried, the politicians in Northern Ireland are extremely worried, are you definitely – can you promise now that you're going to resolve this by the first of January?

GE: Yes. And the government will always obviously prioritise the flow of goods, and in particular the flow of food to Northern Ireland at the end of the transition period. As any responsible government would do.

AM: Physical checks aren't ready, and according to people in Northern Ireland they're not going to be ready either.

GE: Well, there will be, you know, a phasing-in period at the start of this. Work is under way to put in place the checks that are needed, particularly at Belfast. They've got some infrastructure –

AM: Are we talking to the EU about a phasing-in period? Of a few months or whatever?

GE: Yes. There's a joint committee discussion that is taking place that is trying to resolve all of these, you know, quite narrow technical issues often. But certainly it can be achieved.

AM: Now, just briefly, I don't know if you heard Mr Sahin, the great vaccine developer, talking on the programme earlier on, but he said if we're going to get back to normality by this time next year there has to be a mass vaccination programme for absolutely everybody next year, running up through the summer and the autumn. Is the government going to be able to deliver that?

GE: The government's worked very hard on that, yes. And we have been very involved in some of these vaccine projects. We've got a commitment to have 40 million doses from the Pfizer vaccine. There's an AstraZeneca one that's not far behind, and several others.

AM: So the answer is yes. Alright.

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GE: Yes, a huge amount of planning is going into that. It's a bit place, this could be a big breakthrough.

AM: Mr Eustice, thanks very much indeed for talking to us.

(ends)