

ANDREW MARR SHOW, DAVID DAVIS, MP 10<sup>TH</sup> DECEMBER, 2017

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DAVID DAVIS, MP

Secretary of State or Exiting the EU

AM: In his first interview since the Brussels deal, the Brexit Secretary David Davis, joins me. Welcome. Now before we get going on this week's events, I have to ask you, there's no easy way of talking about this, there is an issue about your own integrity when it came to some of the things that you have said about impact assessments. You told me that you were doing lots and lots of impact assessments, sector impact assessments, really, really important to work out what's going to happen after Brexit and then you told the House of Commons something else. I'm going to play you two clips. The good news, they're both you. The first is earlier in the year and the second –

*(film clip)*

*2<sup>nd</sup> February*

*Davis: We continue to analyse the impact of our exit across the breadth of the UK economy covering more than 50 sectors, I think 58 at the last count to shape our negotiating position.*

*6<sup>th</sup> December*

*Benn: has the government undertaken any impact assessments on the implications of leaving the EU for different sectors of the British –*

*Davis: Not in sectors. There's no systematic impact assessment.*

*Benn: So there isn't one for example on the automotive sector?*

*Davis: on the?*

*Benn: automotive sector.*

*Davis: No, not that I'm aware of. No.*

*Benn: is there one on aerospace?*

*Davis: No.*

*Benn: No. One on financial services?*

*Davis: Well I think the answer is going to be no to all of them.*

*Benn: No, to all of them.*

AM: No to all of them. So did these impact assessments exist or not?

DD: No. The word - using the word 'impact' doesn't make an impact assessment. Let me be clear.

AM: But you used the word impact.

DD: Yes, I use the word impact. Let me be clear. The impact assessment has got a proper meaning in almost in the law. Certainly in civil service and the Better Regulation Taskforce has got a guideline on it. What we have done is analysed each sector, and said, okay, how big is it, what employment, what – how much they depend on the European Union regulation, how much they depend on the European Union market? That's what we've been focusing on. Not to try and to force –

AM: That is an impact assessment.

DD: Wait a minute. Well in that case there are 850 pages of that.

AM: So you were wrong in the House of Commons, they do exist.

DD: No, no, no no. There is a distinction, because what the people who are asking for this were sort of aiming at was the idea of a sort of forecast of the impact, you know, forecast of how much would this industry lose under this scenario or that scenario. Those don't exist.

AM: But that's the kind of thing that people out there would hope the government had done. I mean you're going into this really important negotiation, people want to know what the

government's view of the effect on the car industry or the aircraft industry or whatever might be.

DD: We know what the effective regulatory barriers are. That's the important thing. Do we have to deal with that? We're going to come no doubt later come to the arguments of convergence and so on.

AM: We will, yes.

DD: And how do we deal with that and what do we need to negotiate? And when we started this out we were looking possibly at doing a sector by sector negotiation. We're not going to do that in fact, so there's no point in doing one forecast here, one forecast there. We don't do that.

AM: Why not?

DD: Well, and those forecasts don't work. I mean if you look at what people have forecast for the outcome of the Brexit referendum, the Treasury, the Bank of England, all said the market would go down. All said the economy would go down. What's happened? What's happened? It's actually improved. We've got the best employment we've had in this country ever, lowest unemployment in my lifetime and so on.

AM: We're going way off topic. Do you not accept that you gave the impression that these detailed impact assessments were being done, had been done? They were eye-wateringly detailed, they were meticulous, they existed as a –

DD: Sectoral analysis is not the same as an impact assessment.

AM: Okay. Here you are talking to the House of Lords Committee, just in October. *We are conducting a broad range of analysis on*

*the macro-economic and sectoral level to quotes "understand the impact of leaving the EU on all aspects of the UK, including the agricultural."* That is an impact sectoral assessment of the kind you then said didn't exist.

DD: Well if that's what you're describing that's what they've got. But what they got is 850 pages, 850 pages of sectoral analysis, right. That is the size, the employment, the dependence on Europe, the availability of other markets. Now that's the data. That's there. That's done. Nobody's ever said anything different. And throughout the course of the last 18 months sectoral analysis is the phrase I've used. What we're getting into is almost an Alice in Wonderland - actually no. More a Gulliver, a Gulliver's Travels.

AM: Do you think you were loose in your language at least?

DD: I've answered questions on this probably over a thousand times and I've used sectoral analysis 999 times out of a thousand.

AM: Okay. Let's turn to another big issue which is money. How much is it going to cost us, very roughly, to leave the EU?

DD: Well, Treasury's estimate is something like 35, 39 billion. But it's very complex. There are lots of plays in it, you know. Go on.

AM: Again, I gave you that figure not that long ago and you rolled your eyes and you shook your head and you laughed and you said, 'no, no no, absolutely not. That's just a guess.'

DD: Well yes.

AM: Well if 40 million was a guess it was a bloody good guess.

DD: If you want to be precise about what I said, if you want precision I said that sounds –

AM: I'm sorry for saying bloody. I got over excited.

DD: sort of made up.

AM: It wasn't made up but it was pretty accurate, wasn't it?

DD: It was and the reason it was sort of made up was because we were at that stage going through the line by line analysis. Nobody at that point knew what the outcome would be. We were going through line by line and you said it earlier.

AM: When did you know, when did you know?

DD: Oh well, I mean actually about a week or so ago. I mean you know it was quite recently because we didn't complete the line by line analysis until we went into the final round of negotiation.

AM: It's an awful lot of money. Can you point to one occasion on which a government minister ever warned the British public that this is what it was going to cost to leave the EU?

DD: Well, I think what you can say is from the beginning, in the Lancaster House speech, and indeed actually I think maybe even in her Commons speech, but certainly the Lancaster House speech the Prime Minister said, we will meet our international obligations.

AM: But no one knew what that meant.

DD: Over – and – well because we hadn't calculated the numbers. We hadn't seen their bid. I mean the opening bid was 100 billion plus. You know we saw that on the front page of the Financial Times. Sources in Brussels say 100 billion. It's nothing like a hundred billion.

AM: But it's a lot more than nothing either.

DD: Yeah of course it's not nothing. I mean you've just had - wait a minute, you just had Kier Starmer on here promising effectively that a Labour government would continue paying large sums of money. We're not going to do that. That's the promise we did make.

AM: Can I just ask you about the money - the sums, because people get very confused. So 40 billion is roughly four years of net inputs at the moment. So for four years as it were, we've got four years of payments.

DD: It won't quite work like that.

AM: It won't quite work like that, but at what point in this parliament do we start to get money back? Or do you think it won't happen in a serious way, this parliament? Hardly any will come back this parliament.

DD: Well what'll happen, the way it will play, is the first - if we have a two year transition period, which is the next piece of negotiation, that'll probably carry on pretty much as now. So you might guess 20 billion, but it is a guess. We don't know because

AM: during those two years, yes.

DD: - those two years. Then we'll be out and the rest will be probably in a long tail, but we haven't actually done the profile yet of that, you know. It will be a long time, maybe go on for many, many years but quite small sums.

AM: Okay, let's move on to this week's negotiation, it feels like a year. This week's negotiation. Now the crucial question is whether that "full convergence" quote, in paragraph 49.

DD: Well it's not full convergence.

AM: Full alignment, beg your pardon in paragraph 49 about the Irish border is real or not?

DD: With respect Andrew, that's a very important distinction, right.

AM: Okay.

DD: No, no it's a very important distinction. You were berating me earlier about using words.

AM: I've corrected myself. Full alignment.

DD: 'Full alignment.' And it was changed from 'no divergence.' That's the point. And the difference is –

AM: What does full alignment mean?

DD: Well let me just explain. 'No divergence' would have meant actually taking cut and paste rules, right. 'Full alignment' means – I mean it covers about a number of areas, about four important ones. Agriculture, road and rail –

AM: Health, tourism, transport.

DD: Water. Well, it's unlikely to have much impact on health or indeed on education which are two of the sectors in there. But the ones it does have impact on, we're not looking to create a circumstance where animal welfare is worse in Britain than elsewhere. We're not looking to create a circumstance where safety of food is worse, or indeed pollutions of waterways. So we will meet the outcomes, we'll meet the outcomes but not do it by just copying or doing what the European Union does.

AM: To put it in simple terms.

DD: And to put it plainly to you, 'cause Kier sort of was reading out the union comments on it, when that same point was put to Michel Barnier on Friday he said, 'no you don't understand, this does not mean membership of the single market, or indeed membership of the customs union.'

AM: I don't think it does mean membership of either of those things, but if I put it in very very simple terms, if they have a rule on carrots then in due course our rules on carrots will be aligned to their rules on carrots. Their carrots and our carrots will be broadly speaking the same carrots?

DD: Not necessarily.

AM: Really?

DD: Yeah, no 'full alignment' means outcomes. It means you know –

AM: If I align two cars they're next to each other.

DD: Well, Northern Ireland is next to the Republic of Ireland.

AM: Yes and it will have next to regulations. It will be very similar.

DD: Well you know there will be some similarities. I mean again the Prime Minister laid this out in her Florence speech. She said there are areas where we will want similar outcomes and we'll have similar methods to achieve them. There will be areas where we'll have similar outcomes, we'll have different methods to achieve them, that's going to be true of a lot of product areas, a lot of manufacturing and so on and there will be areas where we want different outcomes and will use different methods.

AM: Well let's stick with what we know which is in this agreement you've all signed and signed up to for alignment does involve

agriculture. David Jones who was your Junior Minister is very, very worried about this because he points out quite rightly that if we're going to do a big free trade deal with America for instance, they really want agriculture to be part of that and they have insisted that we have to have agricultural regulations and norms that apply to them as well. And we can't be both inside the EU –

DD: You say that. We haven't yet started that negotiation so it's a bit hard – I mean there's an awful lot here, I mean you see it actually in some of your earlier comments as well, both to two of your interviewees of sort of assuming that what the other side says in a negotiation at the beginning is the outcome.

AM: It's gonna happen.

DD: It isn't necessarily so. And you can see an example of that this week in the Japan agreement where there are agricultural dimensions to it. And there's no way that Europe and Japan are going to be on the same agricultural basis.

AM: All right, but nonetheless the US Commerce Secretary Wilbur Ross, a very important man in the Trump administration -

DD: Who I met, yeah.

AM: has said that any deal with Brussels to maintain its regulations might hinder development of a closer post Brexit UK – US relationship and it was essential that we remove any unnecessary regulatory divergences with the US. Now that seems to go against the spirit of what you have agreed looking at Dublin this week.

DD: Well he said, 'maintain their regulations.' That's not what we're going to do. We're going to bring back control. That's the phrase used and the House of Commons will decide.

AM: But you're going to be aligned. You're going to be aligned. Fully aligned in fact.

DD: If you look at any free trade deal anywhere in the world, and the easiest one to look at is the Canadian one with Europe. If you look at any free trade deal what you see is agreements on where product standards normally comply. That's what it comes down to. Sometimes you see other things. In the free trade deal between Europe and Canada they say on labour standards they will not go below the ILO. The International Labour Organisation minimum. So those are always a part of that and what the House and Commons and what the House of Lords, what the parliament will decide in the future is what's actually good for this industry, but what's good both in terms of the market in Europe, market in the rest of the world, they'll make those decisions independently with full sovereignty and in the light of what the consequence will be.

AM: We have promised full alignment on a whole range of things because of the Irish border issue, the Chancellor of the Exchequer has said that under virtually all circumstances –

DD: Well it's a small range of things. Not a whole range of things.

AM: Well it's quite a big range of things. The Chancellor of the Exchequer said that under all circumstances we will pay the money to the EU. Can I ask you whether this agreement this week is actually real?

DD: No, it is conditional on an outcome. No, I'm afraid that wasn't quite right. I mean it is conditional. It's conditional on getting an implementation period, and conditional on a trade outcome.

AM: Let me put this very bluntly –

DD: Before I finish that, I've left something out. I said the trade outcome, but also the other elements of the treaty we'll strike with them which will be security, foreign affairs, and other things.

AM: Okay. So in the unhappy possibility, but it's a possibility that we get onto the trade side of the negotiations, phase 2 and the EU really, really take us to pieces on that, they don't give us what we want, they're not at all helpful when it comes to the City or commerce generally and they really have us over a barrel and we hate it and we say we're not having any of that. In those circumstances are we committed to the regulatory convergence? Are you committed to paying the money?

DD: Well, no deal is no deal. Now - let me finish, you want the answer, otherwise you'll be coming back to me later saying you only said this, didn't say the second half. So number one. No deal means that we won't be paying the money. Some of these areas -

AM: Okay, so the Chancellor is wrong about that?

DD: That's - it's been made clear by Number 10 already, so that's not actually new. The second element about this is the other areas. Now look, one of the things we have had as a major objective, a major negotiating objective for the British government and we don't normally lay our red lines out in public, that's one of the things I've always said, is we want to protect the peace process and we also want to protect Ireland from the impact of Brexit for them. So we - you know - this was a statement of intent more than anything else. It was much more a statement of intent than it was a legally enforceable thing.

AM: Here is the crucial question. That promise on full alignment that we have made not just to the EU but also in specific terms to the Irish government, to Dublin, if we don't get a deal does that promise get torn up?

DD: Well I think if we don't get a deal we're going to have to find a way of making sure we keep the frictionless border as it were an invisible border in Northern Ireland. We do it at the moment. Understand something. At the moment there are different tax and levy regimes and export North and South of the border. We manage that without having border posts allotted along the 300 rows there and we'll find a way of doing that too.

AM: The Taoiseach thinks that he has got that full alignment in his back pocket. That is an absolutely firm promise from Theresa May and yourself and the British government. He may be watching this. Can you look in the camera and say that we absolutely commit ourselves to that?

DD: What we say is we commit ourselves to maintaining a frictionless invisible border. That's what we undertake and that's what we –

AM: Even if there's no deal?

DD: Even with no deal. Even with a WTO deal, we'll find –

AM: How? Cause you know, that is a border between the EU and us.

DD: I strongly recommend reading our paper that we published. We published 14 papers this year, this summer –

AM: Just tell people, is it a technical solution, how can it be done?

DD: There will be technical solutions, there will be solutions using things like trusted traders, so big companies would actually cross the border without any check, but they'd notify and there will be audits of them. There will be issues like electronic pre-notification.

There will be all sorts of things and also large allowances for small companies. There are a whole series of possibilities that we can do which nobody's engaged on yet. We need to engage for the next stage to get that right.

AM: Transitional period about two years?

DD: About two years yeah.

AM: And is it going to be the case that during that transitional period we are still negotiating or not?

DD: No. We would expect – well there might be some minor negotiation going, but we'd expect a substantive trade deal to be struck, not signed because we've got to be technically outside immediately afterwards.

AM: There will be tinkering going on?

DD: That's right. There will be tinkering but the substantive deal must be struck.

AM: So in real terms, because there has to be an implementation phase, we have about 8 months to do an incredibly complicated trade deal that took Canada seven years. Are you really convinced it can all be done in 8 months?

DD: It's not that complicated. It comes right back to the alignment point. The first thing is we want an overarching free trade deal which has no tariffs. All right, so you don't have to negotiate every tariff line, which what's takes a long time. Secondly, we start in full alignment; we start in complete convergence with the EU and so we then work it out from there.

AM: Let me push back one more time on this, because this comes to the kind of arrangement we want to have once we have finally left the EU which the Cabinet is finally going to discuss before Christmas. Can I ask you what your vision of that is?

DD: Well, I mean it's not just my vision, it's what actually has been discussed in Cabinet already before the Lancaster House speech, before the Florence speech, before the White Paper that was published, which is an overarching free trade deal but including services which Canada doesn't, with individual specific arrangements for aviation, for nuclear, for data - a whole series of strands which we've worked out too.

AM: Quite complicated.

DD: No, most of them based on where we start now. And then the thing as Michel Barnier himself has said, the thing is how we manage divergence. That's the point. How we manage divergence so it doesn't undercut the access to the market in the future.

AM: Going further forward.

DD: And we can do that. Parliament will control that.

AM: So if the basic deal, I'm being very crude about this, but is Canada plus the City, or something like that.

DD: Canada, plus, plus, plus is probably would be one way of putting it.

AM: Plus, plus, pluses are difficult, aren't they? Because for instance the French want to steal as much of the City as they possibly can. So the fact that they can –

DD: I wouldn't use that word. That's your word.

AM: That's my word. It's possible, appropriate grab whatever, as much as of the City as they possibly can. Now it's perfectly possible that that will make a very difficult negotiation and that cannot be done within 8 months. So if it's not finished within 8 months what happens?

DD: I don't agree. I mean it's more like a year than 8 months in truth, but because bear in mind we can't sign this until after March, until after we actually leave. Maybe one minute after we leave, or one second after we leave, but the formal technicalities we can't do that. But we've got about a year and that was actually why this week was important. Because if we got – let me finish the point. If we had gone through this week –

AM: I've got another this week question.

DD: All right. Then and come back to March then we really would have been compressed and I would then be sitting in agreement with you saying it's difficult to do. So the odds, as it were, against a WTO or no deal outcome have dropped dramatically.

AM: That's the meaning of this week?

DD: That's right.

AM: Let me ask you what Michael Gove meant when he said that this can all be looked at again at the next General Election. If we don't like the deal that David Davis has struck don't worry, we can go to the voters and – that wasn't very helpful was it?

DD: Ah. It's the sort of statement of the obvious. Any new government is elected on a mandate of its own. Now we would be re-elected I would hope on the mandate that the deal was delivered. Any other government might not be and that's a function of democracy. Of course that would mean there'll be

consequences. You'd have to go back and renegotiate something, whatever. But it's a statement of the obvious. It's a statement of the fact that in Britain parliament is sovereign or at least it will be once we get back to the situation we negotiate now.

AM: And what you want is Canada plus, plus, plus. David Davis. That's what you said.

DD: You're desperately trying to get a headline out of this.

AM: No, of course I am.

DD: What we want is a bespoke outcome. We'll probably start with the best of Canada and the best of Japan and the best of South Korea and then add to that the bits missing which is the services.

AM: Okay, thank you very much indeed.

Ends