

THE ANDREW MARR SHOW

GUY VERHOFSTADT MEP

Brexit Coordinator for the European Parliament

Andrew Marr: Guy Verhofstadt, former Belgian Prime Minister, is now in charge of the Brexit talks for the European Parliament. He's a hate figure for many Leavers: Nigel Farage, for instance, called his appointment a "declaration of war" against Britain. This week I went to meet him in Brussels, and asked whether the EU actually wants a free trade deal with Britain.

Guy Verhofstadt: What we want, as a European parliament, is an association agreement. And in this association agreement there will be a free trade deal inside. Because we think that the future relationship with Britain needs to be broader than only trade and economics.

AM: So you do want a free trade agreement as part of that.

GV: Exactly.

AM: So there should be no real problem in achieving that. Give that our regulations are similar.

GV: May I .. may I rectify a little bit? We want in fact more than free trade. We should try to have, for example, Britain still in the single market, Britain member of a European economic area. Britain member of a customs union and so on.

AM: Your vision is basically Britain staying inside the EU but without a vote.

GV: Now that's more the question about transition what you're talking about.

AM: Let's talk about transition.

GV: They will talk about transition, I hope so in the coming – in the coming weeks. And transition is mainly the continuation of the – what we call the existing rules, the existing policies without having a say, that's true, because Britain will not, in the transition will no longer present in the European Parliament, in European Commission, in European Court of Justice and in European Council.

AM: Boris Johnson says that it would be intolerable and undemocratic for us to accept new rules, new changes in the rules without even being in the room while they're made.

GV: But we have not decided for Britain to leave and we have not - it is Britain who has requested the transition period. It's not we who ask for it.

AM: In effect your answer is tough.

GV: Why it's tough? It's normal when there is a transition so we are not against a transition. I think a transition is even – even necessary because you need a period, necessary, to discuss and to negotiate a future relationship. But it's normal that in a transition you simply continue the existing rules and the existing policies.

AM: A big problem at the moment in the transition talks is about the free movement of people. Now Theresa May says that it's not the same for somebody to come from the continent of Europe and settle in Britain during the transition period already knowing that Britain is leaving the EU. That's a different life choice, if you like, from somebody who joined before we decided to leave. So why should people coming during the transition period have all the rights of people who came before?

GV: Yeah, because transition is simply the continuation of the existing situation and what we can –

AM: That's a bureaucratic answer.

GV: No that's not a bureaucratic answer. I will give you the answer. It's not acceptable for us that rules will continue without change for financial services, for goods, for whatever other business and only for the citizens their situation will change. That is penalising citizens. Why should everything continue for services,

for goods, for imports, exports and only for the citizens they will be worse off. That is for us not acceptable. We even not want to talk about it.

AM: But they know what the situation is. They know Britain is leaving and then they still want...

GV: But Britain asked for a transition. Britain needs a period from now on let's say until the end of 2020 to prepare itself, so then it's normal. But the rights and the duties will be the same in transition. That counts also for the UK nationals living on the continent.

AM: Theresa May says her position is a red line, you are absolutely saying that our position is a red line. There is no meeting of minds on this. It is possible the entire transition period will fail. What happens then? How serious is that?

GV: If there is no transition then you have automatically the withdrawal of Britain on the 29th of March of next year. What the British government can do, is that they prepare the new system for after 2020 but they cannot seriously say look, all the rules stay in place only for the citizens there is a new – a new situation. That's not very serious.

AM: Let's move if we can to the end state, the final agreement.

GV: It goes fast. In your interview it goes fast but in reality it will take years.

AM: Is it all possible that by the time that we formally leave in March next year there will be a free trade agreement? Is that possible?

GV: I think what is possible by the 29th of March of next year, if everybody agrees with it, the British parliament, European Parliament, will be the withdrawal agreement. Inside that withdrawal agreement also an agreement on the transition. The transition for example of two years, at the end of 2020 or the beginning of 2021. And the third thing that will be possible is an annex, a political declaration describing, more or less in detail I should say, the future – what the future relationship will be. And then we will use the transition period to clarify this political declaration in an international agreement. So there are the three things. Withdrawal agreement, inside the withdrawal agreement, the transition deal on transition and an annex, a political declaration describing in detail already because everybody has an interest to do that in detail - not to have misunderstandings afterwards – describing that future relationship.

AM: Now it's fairly clear, it's not completely clear yet what Theresa May is going to ask for. David Davis described to me as Canada, plus, plus, plus. And what he meant by that was a free trade deal, no tariffs, no non-tariff barriers for goods, cars and so forth, but a special agreement on things like financial services. That's what they're doing to ask for. And again, is that not reasonable – to do that kind of special bespoke arrangement?

GV: Yeah, but that will, that will not be outcome of this negotiation. That cannot be the outcome.

AM: Why not?

GV: No. The outcome will be – there can be not a type of saying 'oh this is interesting, that we like, this is not interesting for us, we dislike and we don't want it.' What will be in that part of the association agreement we will see. Financial passports will not be there anymore because that's the actual system. You need to be part of the Single Market to have – to have that. So that will be a far more difficult negotiation than simply to say, 'oh, we like

financial service and we put it in, we don't like this sector and we put it out.' But then that is for the – that it will be for the future. That will be not now.

AM: There's disagreements on the European side, the continental side as well about this. The Italy Prime Minister said it would be unthinkable not to have financial services as part of the agreement.

GV: Yeah, but there will be certainly something about financial services, but there will be also something about regulatory equivalents there. Because what we don't want is that with this whole agreement we establish a type of a financial centre that is competing with the Continent in, not in a serious way. By every time lowering taxes, lowering the type of rules so that we create a competitive disadvantage for the European financial services.

AM: You're worried about a race to the bottom.

GV: We want a level playing field for that. So that's the key in all this. There has to be a level playing field in this and no competitive advantage, neither for the Europeans and not for the British side.

AM: There are a lot of people in Britain who want to diverge in some areas and converge in others. But that's what you allowed for Japan, that's what you allowed for Canada?

GV: Yeah, but there is a big difference. With the Japan trade agreement and with the Canadian trade agreement what we tried to do is to converge. While what Britain is asking for is a request for divergence in a number of fields. And that we don't want. We understand that okay Britain wants to diverge in a number of fields and regain its sovereignty but they have to take then also the consequences of it. If you diverge, yeah it will be –

AM: Sounds punitive.

GV: No, it's not punitive. It's normal. It's your decision. It's a decision of the British people to go out and to like divergence and that's the big difference.

AM: So I'm Theresa May now, or I'm Boris Johnson now and I come to you and I say 'Canada, plus, plus, plus', you say 'no chance.' Is that right?

GV: I'm not saying that. Everything is depending on the red lines on the British side. I say Single Market is the best solution for the British industry and the British economy, but the British government want it because the red line is no freedom of movement of people. I say the second best option for Britain is a customs union, but Britain says no, it's not possible because we want to regain more competence on trade policies. My third proposal is, okay let's look that maybe into one or other association agreements. Maybe there will be also opposition by the British government and 'say yeah, but that implies the role of the European Court of Justice and we don't like the European Court'. So a lot depends not on the European side, a lot depends on the red lines that are put on the table by the British.

AM: Is there a big difference between you and Michel Barnier on any of this or do you think alike?

GV: No, the specificity of the European Parliament is that we are going to be very keen on the issue of the citizens' rights. And we are very worried, I can tell you – I want if you give me the opportunity to say that to the British public – very worried about this. It's going to be a bureaucratic nightmare in the system for the EU citizens living in Britain and for the UK nationals living on the Continent. We want a system for the EU citizens for the future which is very simple. A simple declaration by them has to be sufficient to continue to have their rights.

AM: Can I ask what happens if perhaps over this issue the European Parliament votes down the deal, or the British parliament votes down a deal. What happens if the deal's voted down?

GV: Then there is Brexit on the 29th of March without any arrangement. That is what is happening. But I presume if that is happening and I presume – I have only a small experience as a politician in Belgium and in Europe, so not in Britain – but I presume that if that is happening for example, the UK parliament voting down the deal, there will be, I presume, a crisis in British politics. I presume maybe an election. Maybe after that election a new government, and maybe a new position of that new government on Brexit. So I call it - may I call it like that? Unknown territory? That's unknown territory.

AM: Unknown territory. Mr Verhofstadt, thanks very much for talking to us thank you.

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