

Transcript of BBC Radio 4, 'Today', 3 February 2018, Interview with Jacob Rees-Mogg and Charles Grant, 8.10am

NICK ROBINSON: It is decision time on Britain's future relationship with the EU. Yesterday the Prime Minister refused to spell out what sort of future trading arrangement she wanted. Perhaps, you might think, she simply didn't want to reveal her negotiating hand. There was though, a much simpler explanation: she is yet to agree a position with their own Cabinet. This week, senior ministers will meet over two days to do just that. And what looks set to be the most contentious question is whether Britain should be in or out of a customs union with the EU. Now, the Prime Minister has always said we'll leave *the* customs Union that we are *now* in, but the Financial Times revealed yesterday that her officials are drawing up plans for a new, more limited form of customs union - something that would allow goods but not services to be traded across borders without taxes or tariffs. The Prime Minister was asked about the story by Sky News.

THERESA MAY: What we'll be doing when we leave the European Union is leaving the single market, leaving the customs union . . .

INTERVIEWER 'the' not 'a' customs union.

TM: No, leaving the customs union. What we're going to then negotiate is a free trade agreement with the European Union. We want to be able to trade as, as, on a tariff free, frictionless basis with the European Union as possible in the future.

NR: The Prime Minister there ignoring the question about whether Britain might be in 'a' customs Union in the future. This, though, was the rather more direct reaction of the International Trade Secretary Liam Fox who was speaking to Bloomberg News.

LIAM FOX: It's very difficult to see how being in the customs union is compatible with having an independent trade policy, because we would therefore be dependent upon what the EU negotiated in terms of its trading policies and we'd be following behind that so we have to be outside of that to be able to take advantage of those growing markets.

NR: Jacob Rees-Mogg claimed in the House of Commons this week that Treasury officials had fixed their economic forecasts in order to show that all options other than staying in the EU customs union were bad, he joins us on the line, he's chair of the European Research Group a pro-Brexit Conservative party organisation and Charles Grant is the man who he claimed had said all this, Head of the Centre for European Reform, a think tank. Good morning to you both.

CHARLES GRANT: Good morning,

JACOB REES-MOGG: Hello good morning

NICK ROBINSON: Now, we will come to who said what later because you, I think, care more about, and I'm sure our listeners do, the small matter of our future prosperity, the issue itself. Charles Grant first of all then. How would what is being considered in government, 'a' customs union, how would it be different from what we have now and why are the Treasury believed to be in favour of it?

CG: Well, I think what the Treasury are most worried about is . . . if we don't have a customs union it's the extra bureaucracy at borders, the friction on trade, traders having to fill in customs declarations, VAT forms, certificates of origin to prove the local content requirements have been satisfied, that would be a lot of friction that could perhaps hit the economy by about 2% of GDP according to many predictions. So the Treasury's looking for a way out of that, and I think one model being considered is 'a' customs union with the EU for goods, which would still leave Britain free to do free trade agreements with other countries on services, agriculture, investment, data flows and so on and think that would certainly greatly reduce the friction of borders which would happen if we leave the customs union as many Eurosceptics wish to do,

NICK ROBINSON: So Jacob Rees-Mogg, the argument appears to be that you can have the benefits of not having tariffs on traded goods but you could also get the benefits that you've always wanted which is doing new trade agreements with other countries on other things?

JRM: You only have the benefit of not having tariffs within the European Union, and the tariffs hit the rest of the world, that's the problem. If we are in a customs union we are subject to the Common External Tariff, and that makes it much less attractive to do deals with other countries, because we have less (*words unclear due to speaking over*)

NR: (*speaking over*) Can you just spell out that phrasing, because the Common External Tariff, in very simple terms, means there are tariffs, there are taxes put on goods that come in to this customs union.

JRM: That's absolutely right. So, if you take clothing and footwear, they have a tariff on them of around 11.5% on average, plus 20% VAT. So that's a considerable burden for consumers, who have much more expensive clothing and footwear than they would otherwise have, for as to protect inefficient EU industries. It's not in our interest have it, but also when we are negotiating with other countries, if we can't say to them, look, we will lower our tariff on your clothing and footwear, they may be less interested in doing a deal with us, so it makes it much harder to do the deals with the rest of the world.

NR: Well, let's put that to Charles Grant – why would we want to have a situation in which we had to put these tariffs, as Jacob Rees-Mogg says, on things that consumers like to have?

CG: Well, the EU's tariff, the average EU tariff is just over 6%, which, by global standards, is very low and for the poorest countries in the world exporting into the EU they pay no tariffs and face no quotas at all, so . . .

NR: (*interrupting*) But why have them at all?

CG: Well, because, because you could, has perhaps Jacob would wish just abolished all tariffs on everything, but under WTO rules you'd have to offer the same deal to every country in the world, and that would wipe out a lot of British farming and creates large problems of our manufacturing.

NR: Okay, Jacob Rees-Mogg, the Cabinet will discuss it this week, let's just do the politics briefly, are you saying that any form of customs union is unacceptable? You would oppose it?

JRM: Yes, we need to be free to do deals with the rest of the world, we must be out of the protectionist Common External Tariff which mainly protects inefficient EU industries at the cost of British consumers . . .

NR: *(speaking over)* Just to be clear . . .

JRM: *(words unclear due to speaking over)*

NR: *(speaking over)* Sorry to interrupt - any customs union of any sort?

JRM: We do not want to be in 'a' customs union, 'the' customs union 'and' customs union – grammatically inelegant, but if that's the formulation people come up with, we don't want that either.

NR: Well, that couldn't be clearer. Now, what also couldn't be clearer was your claim in the House of Commons that Treasury officials had deliberately developed an impact assessment model, let's translate from the jargon, they'd fixed their forecasts in other words, in order to prove that we did need to stay in a customs union. Now the minister has already apologised for agreeing with you when you put that in the House of Commons, would you like to now apologise for claiming that, when you no evidence for it?

JRM: The only thing I'll apologise for is that it's turned out to be much more serious than I thought. If you look at the comments made by Mr Grant at the meeting and previously, there was *(words unclear due to speaking over)*

NR: *(speaking over)* Just to explain, you are effectively quoting Charles Grant. *(fragment of word, or word unclear)*

JRM: I wasn't quoting him, I said I'd heard this story.

NR: Okay.

JRM: But the things . . . the things are worse, that the Treasury – and we need to know whether this is officials or if it has sanction from ministers, seems, in his own words to be running policy that is not government policy, and then giving private briefings to people about it, which, under the ministerial code, officials are not allowed to brief journalists without specific ministerial permission. So, we need to know what is going on in the Treasury. Also, with all forecasts, the assumptions you make at the beginning determine the outcomes that you get, what I would say about the Treasury's . . .

NR: *(speaking over)* That's very clear, let's put that to Charles Grant.

JRM: What I would say about the Treasury's forecasts . . . okay.

NR: I just, I just want to put it to him because . . .

CG: Yes.

NR: . . . effectively, just to be clear to listeners who are not following the detail of this story, Mr Rees-Mogg says this is what you said, that you said at a private meeting, a think

tank meeting, that you had basically said, 'Look, the Treasury is so keen on staying in the customs union, it's doing anything to make that happen.'

CG: Yes, yes, Mr Rees-Mogg said in the House of Commons, and I quote, 'Officials in the Treasury have developed a model to show that all options other than staying in the customs union are bad and officials tend to use the model to influence policy.' But I didn't say that, recording has emerged of the lunch, I didn't say that, Mr Baker, a very honourable man, has apologised to me and to the House of Commons for saying things that weren't quite right. I'm surprised that Mr Rees-Mogg hasn't apologised either, but let, let, let that pass.

NR: *(speaking over) (fragments of words, or words unclear)* Let's be clear, Mr Rees-Mogg, you make two claims, the Treasury is in favour of something is one thing, but you said they rigged their forecasts . . .

JRM: *(speaking over)* Well . . .

NR: . . . that is accusing officials of rigging the advice that they give to ministers, a very serious charge . . .

JRM: *(speaking under) (fragments of words, or words unclear)*

NR: . . . for which, I put to you again, you have no evidence?

JRM: It's worse than that. Mr Grant said the Treasury is determined to keep us in the customs union. He also said on another occasion that the Treasury is newly emboldened, he's getting private briefings from the Treasury against government policy. Now, this is very serious, because either . . .

NR: *(speaking over)* The government hasn't formed a policy yet.

JRM: *(fragments of words, unclear)*

NR: On 'a' customs union. On 'a' customs union.

JRM: Well, it's not for officials to invent policy if the government hasn't got one . . .

NR: *(speaking over)* They don't invent it, they advise ministers, that's what they do . . .

JRM: *(speaking over)* No . . . no . . .

NR: . . . they form policy papers and ministers decide.

JRM: *(speaking over)* This is very different. This is very different. This is saying that they are determining policy, that they have an aim to lead policy against what the politicians may decide.

NR: *(speaking over)* Charles Grant.

CG: Can I respond to what Jacob just said. Look, the Treasury's not trying to undermine . . . the government policy is to leave the EU. As far as I know, the Treasury is committed to that policy. Once you decide to leave the EU, you can consider various ways of doing it. The

Treasury cares about economics so it's naturally pushing for the sorts of Brexit that minimise the economic damage, and staying in the customs union is why many people in the Treasury think we should go for that less damaging option. On the fact that I spoke to Treasury officials, of course I do, everybody in think tanks speaks to government officials, that's how think tanks work, and, of course, the Legatum Institution (*sic*, 'Institute')

JRM: (*speaking over*) Have they been (*word unclear*)

CG: . . . and Open Europe, Eurosceptic think tanks also speak to Treasury officials and other government officials, and there's nothing wrong with that.

NR: A last word to you, Jacob Rees-Mogg, let me ask you this if I may, because this is why, in a sense, this row matters. There are some people who've presented you in the past as a sort of amusing backbench eccentric. You're now, you're a leading figure in terms of backbench Brexiteers, and many ministers say you are a likely candidate to be our next Prime Minister. Do you not accept that to accuse civil servants of rigging official forecasts is not the behaviour of a man who wishes to lead this country?

JRM: What I'm talking about is the way the Treasury has behaved, both before and after the referendum. If you look at the forecasts the Treasury made before the referendum, they were a humiliation, and this issue of Treasury . . .

NR: (*speaking over*) They may have been wrong, but that is different, Mr Rees-Mogg from claiming they were rigged.

JRM: They were clearly politically influenced. Nobody seriously denies that.

NR: (*speaking over*) Are you saying they were rigged?

JRM: And why, why was the OBR set up . . .

NR: (*speaking over*) Are you saying they were rigged, Mr Rees-Mogg?

JRM: Well, let me answer your question and then you'll see the Ansa. The OBR, the Office for Budget caps possibility was set up by George Osborne because Treasury forecasts had been politicised and it was thought that they were unreliable on political grounds. With the referendum and with the EU, the Treasury has gone back to making forecasts. It was politically advantageous for them in the past . . .

NR: That's very clear.

JRM: . . . it's the same now. So yes, I do think they're fiddling the figures.

NR: You do think they are filling the figures.

JRM: (*speaking over*) I do, I do.

NR: One last question to you, as a potential Prime Minister. It was said by a senior cabinet minister this week 'no Theresa May equals no Brexit', do you agree?

JRM: I'm fully supporting the Prime Minister and the vision for Brexit that she set out in Lancaster House, the Tory party manifesto, and slightly less . . .

NR: (*speaking over*) So you won't be running for the leadership of the Conservative party?

JRM: I completely support the Prime Minister and I think all this talk about leadership is unhelpful. I want her to get on with what she's doing and she's wonderfully stoic against all that strong at her, and I think this is very impressive and should be admired in the country at large.

NR: Jacob Rees-Mogg, thank you.

JRM: Thank you.