HOUSE OF COMMONS

Environment, Food and Rural Affairs Committee

Oral evidence: Australia FTA: Food and Agriculture, HC 1077

Tuesday 29 March 2022

Ordered by the House of Commons to be published on 29 March 2022.

[Watch the meeting]

Members present: Neil Parish (Chair); Kirsty Blackman; Geraint Davies; Barry Gardiner; Dr Neil Hudson; Mrs Sheryll Murray; Derek Thomas.

Questions 224 - 320

Witnesses

I: His Excellency the Honourable George Brandis QC, High Commissioner, Australian High Commission; Dr Chris Kebbell, Primary Industries Counsellor, New Zealand High Commission; Bede Corry, New Zealand High Commissioner to the United Kingdom, New Zealand High Commission; Kieran Macdonell, Counsellor (Agriculture), Australian High Commission.

Examination of witnesses

Witnesses: George Brandis, Dr Chris Kebbell, Bede Corry and Kieran Macdonell.

Q224 **Chair:** Welcome to the EFRA Select Committee. Today we are looking at both the Australia and New Zealand deals, and we are delighted to have the High Commissioners for both Australia and New Zealand here. Starting with Australia first, High Commissioner, would you like to introduce yourself, please?

George Brandis: Good afternoon, Mr Chairman and members of the Committee. My name is George Brandis. I am the High Commissioner for Australia. I appear with my colleague Kieran Macdonell, who is the agriculture counsellor at the Australia High Commission.

Chair: You are very much welcome.

Bede Corry: Good afternoon, Mr Chairman and members of the Committee. It is a pleasure to be here today. I am Bede Corry, the High Commissioner for New Zealand. I am joined by my colleague Chris Kebbell, who is our primary industries counsellor.

Chair: He certainly needs no introduction from me. Welcome.

Kieran Macdonell: I am Kieran Macdonell, the agriculture counsellor of the Australian High Commission.

Q225 **Chair:** That is lovely. I will get straight to business, as we say. To both High Commissioners, how do you expect these free trade arrangements to benefit your agricultural industries in terms of increased production and additional exports to the UK? As the Australia deal was signed first, I will hand over to you, sir.

George Brandis: Thank you very much indeed. Australians regard free trade agreements as being a good thing in themselves, because of the benefits they generate for the whole of the economy. In relation to the agriculture sector, we see opportunities for the agriculture sectors, frankly, in both countries in our respective markets. It should be emphasised that, for Australians, the free trade agreement is about the whole of the economy. We do not regard the agriculture sector as, as it were, the trophy sector for the purposes of this agreement.

As this is the EFRA Committee, let me focus on agriculture. With the passage of time, we believe there will be a benefit in giving consumers in the United Kingdom a greater range of choice, particularly in the red meat sector, with better-quality, high-end goods. In other agricultural commodities, for example, the United Kingdom produces not much more than half of its own sugar from beet. The opportunity of processors like Tate & Lyle to import from Australia better-quality cane sugar, which is the preferred product to work with, will be beneficial both to Australian sugar cane producers and to British consumers, without in any way affecting your sugar beet sector, because you are an importer of sugar.

More broadly, Australia welcomes the likely accession of the United Kingdom into the CPTPP, of which Australia is one of the foundation members, as is, of course, New Zealand. There are market opportunities for both your agricultural sector and ours. The total market of the CPTPP, by the way, is £8.4 trillion. It is an enormous opportunity, of which the Australia and indeed, I dare say, the New Zealand FTAs are stepping stones.

There is a broader context to this, too. It is not just about market access. It is about establishing, both at a producer level and at the level of officials, co-operative and collaborative arrangements. We expect that our farmers will learn from yours and your farmers will learn from ours about the different ways—in different circumstances, admittedly—that they adopt various farming systems.

When it comes to regulation on issues such as animal welfare standards, SPS and all of those issues—

Chair: Yes, we will come on to those.

George Brandis: I know you are going to come on to that, but, if I may say so, as a prelude to it, one of the features of this FTA, uniquely for an Australian free trade agreement, is that it establishes working groups or joint committees as part of the FTA structure so that our regulatory bodies can work together to define and develop world's best practice standards, which both of our sectors will observe.

Q226 **Chair:** Could I just intervene there? That is very laudable, but, as far as Australia is concerned, have you not missed a trick? You have a very free market when you are talking about beef, sheep and dairy, but you have decided not to bring your poultry and pig sectors into the free trade arrangement. Surely, if you want to up the standards of Australian production in both pig and poultry, would it not have been a good idea to try to integrate that in the future? Why did you exclude that? You very much show as a badge of honour that Australia is a free and open trade nation. Why did you exclude those?

George Brandis: We focused on where we thought, for both countries, the opportunities for trade were richer. There are peculiarities in those subsectors of the agricultural sector in Australia. I might invite Mr Macdonell to address this; he will be able to speak with more knowledge than I can about those two particular subsectors.

Kieran Macdonell: Thank you, High Commissioner. The issue with the poultry and pork sectors in Australia is that they are very domestically focused. There is no export interest in the UK or in almost any other market. They were excluded from the FTA only for that purpose.

Q227 **Chair:** I accept that, and that was well negotiated from your point of view. I am not criticising you, but you say you want in the future to increase animal welfare globally and certainly between our two countries.

Because you have a very strong domestic market and you do not export much, naturally you chose not to include the pig and poultry sectors. It was clever negotiation, but, if we are going to build on a relationship into the future, I am not sure whether it should not have been. I will park it there, and perhaps we will pass to New Zealand now and see how the match is going. I will pass over to you, High Commissioner.

Bede Corry: Perhaps before going to the detail of your questions, there were a few points that my friend and Australian colleague has made that I would share and endorse about how we should view FTAs. In our case, we would see the FTA between New Zealand and the UK as sending a really important signal to the world at a time when protectionism is regrettably on the rise. We see the FTA as showing how broad an aperture we can take when it comes to contemplating how trade can lift our economies and our social interests, whether that is small and medium enterprises, the interests of women or, in our case, indigenous people, and so on and so forth.

I would also endorse the point made about how they benefit consumers, a point often overlooked in the debate about free trade in many countries. Consumers benefit from FTAs.

I would also make the point that, while there has been a lot of attention on how these two FTAs might impact British agriculture, perhaps there has been less attention on the extent of British agricultural interests externally. I saw a fact and figure the other day suggesting that the UK exports about £23.9 billion of agricultural produce, so the content of these FTAs also has some significant meaning for your agricultural producers and their export interests.

Turning to the specifics of the areas where New Zealand would benefit over time, there has been a lot of attention on the prominent areas, such as sheep meat in particular. We would also hope to secure market access over time in areas such as beef, where our trade has been highly confined by border restrictions in the UK. To give you a fact and figure there, New Zealand exports 512,000 tonnes of beef a year, roughly. In the most recent year for which I have statistics, 465 tonnes came to the United Kingdom. Clearly, there is scope, as you might say, for some growth there.

Butter is another area where, over time, we would hope to secure some growth. Again, the facts are that New Zealand exports 425,000 tonnes of butter globally, but only 339 tonnes came to the United Kingdom. There are similar figures for cheese. Other products beloved of your consumers such as apples, honey and wine are also sectors that would expect to see growth under this FTA. I would make the point that this is growth over time, certainly in respect of some of the larger commodities such as sheep meat and beef.

Q228 **Chair:** Naturally, we have a lot of sheep meat from you now, under previous agreements. Do you see that sheep market opening up even further? Do you have that capability of supplying it? There is always an issue there. New Zealand is coming into more environmental controls and water controls now, which you have not had previously. How do you see your production overall going in the next few years? We do not have fear, but we know we are going to have some stiff competition from both Australia and New Zealand. The New Zealand population—dare I say it without upsetting the Australian High Commissioner—is probably becoming a little more sensitive to the environmental issues than perhaps Australia is. I would not seek to be divisive, High Commissioner.

Bede Corry: I will not be divisive either. Thank you for the question. Perhaps I will start with some wider context. Let us use sheep meat as the example. We produce about 6% of the world's sheep meat, perhaps not as much as some headlines might suggest. We have about 100 markets worldwide for that sheep meat. Our production estimates tell us that, in the case of sheep meat, we produced 459,200 tonnes in 2020. That figure will fall by 2030 to 436,700 tonnes. In other words, sheep meat production is plateauing, if not in fact falling. That is the context.

Q229 **Chair:** We are going to talk directly about sheep meat in a minute, but what I really wanted you to give an answer on was the environmental situation in New Zealand. Just as a basic question, in your view, are you largely in the same place as the UK might be?

Bede Corry: It is hard to make that direct comparison. I would certainly say that the natural constraints on the productivity of our agricultural resource sector, including environmental constraints and rising community awareness of the impacts on waterways and the environment at large, have helped with that reality of a plateauing production figure.

There is a desire on the behalf of our agriculture sector, to use their marketing phrase, to be good producers for the world. They realise, as I am sure farmers in the UK and Australia do, although I will not pretend to speak for either, that sophisticated contemporary consumers want environmentally sustainable products. I know that is a thing that the supermarket chains that sell New Zealand lamb in the United Kingdom are very attentive to.

Turning to the forward look, you asked about the future gains there for sheep meat. The trajectory is of course going to be governed by the transitional period set out in the treaty, which for sheep meat set a 15-year transitional period. If I might just again—

Q230 **Chair:** We will leave it there, because we will go into the detail on that in a minute. Thank you both for those openings. Chris, do you want to add any point or are you happy?

Dr Kebbell: I am very happy. I have perhaps one additional point. Farmers in New Zealand are very acutely aware of the need to manage the environment. They have implemented management plans on farms to ensure biodiversity and the management of water and climate change, and so on. Those impacts mean that every farm in New Zealand will take into account the need to grow forestry and the need for land-use change, which ultimately means that New Zealand is at peak production for dairy, beef and sheep.

Mrs Murray: I want to drill down on this. The Chair was almost guilty of stealing my question.

Chair: Not quite.

Mrs Murray: No, not quite.

Bede Corry: If he could also steal our answers, that would be very helpful.

Q231 **Mrs Murray:** I want to drill down just a little bit with both of you on the free trade agreements. They make provision for a substantial increase in tariff-free access to several of the UK markets, including for beef and lamb. Do you foresee a rapid uptake of this additional quota, given that your current quota is often underfilled at the moment? Could I go to Australia first and then to New Zealand?

George Brandis: Thank you very much indeed for the question. The answer is that it will all depend upon what British consumers decide to do. The point I am at pains to make is that with both beef and sheep meat we come off an extremely low base. For the most recent year for which we have statistics, Australia exported to the United Kingdom only 1,027 tonnes of beef. That was the very expensive and very high-end beef that is a luxury good. You can only buy it in the Harrods food halls or other places where nobody shops, or in very upmarket restaurants. Australia also exported 10,692 tonnes of sheep meat.

That represents less than 1%, in the case of beef, and about 11%, in the case of sheep meat, of the United Kingdom's imports of those commodities. The vast majority, more than 70%, comes from the EU. From that very low base, we have quotas, as you say. If it helps the Committee, I might seek leave to table a document that sets out the steps in the quotas.

Barry Gardiner: I think we have it

Chair: Yes, we have it already, High Commissioner.

Barry Gardiner: It would be very interesting to see if your steps are different from the ones we have.

George Brandis: Under the Australia FTA, the tariff rate quota for beef in year one starts at 35,000 tonnes. In year one, from a current import quantity of roughly 1,000 tonnes, there is a capacity for up to 35,000 tonnes.

Q232 **Chair:** Are you going to go from 1,000 tonnes to 35,000 tonnes?

George Brandis: It all depends on what British consumers decide to do, but, to be frank, I would be most surprised if we do, because, among other things, both beef and lamb prices in Australia at the moment are very high. In addition to the transport costs, there is the very high domestic price of production in Australia for both beef and lamb. It is good to have a lot of headroom, as it were, in the quota as we move towards tariff-free and quota-free trade, which is the aspiration of any free trade agreement. The fear that somehow this market is going to be swamped with Australian product is entirely fanciful.

Q233 **Mrs Murray:** Mr Corry, do you have a similar answer to Australia, or do you have anything to add?

Bede Corry: Broadly, yes. There are two factors governing the answer to your question. The first is the wider state of our trade in those commodities, which of course, as I mentioned in one of my earlier comments, in the case of lamb is destined for 100 markets worldwide. There are many other options out there. Our farmers are selling sheep meat very successfully into markets other than the United Kingdom; 75% of our exports go to Asia-Pacific countries, and that share is growing. As part of that, there are also the production constraints that we have already heard about.

Q234 **Mrs Murray:** Are they the same cuts as you export to the UK? Do you export those same cuts to Asia-Pacific or do they take the cheaper cuts?

Dr Kebbell: It is a very good question.

Chair: You are going into another question.

Mrs Murray: I am sorry. Apologies, Geraint.

Bede Corry: Just to go to the second part of how I want to answer this question, it is then governed by the terms of what is in the FTA, which sets out a very long transitional period of 15 years. It allows for 35,000 tonnes upon entry into force of the FTA, rising to 50,000 tonnes over years five to 15.

If you look at those figures and you read them in light of the year we last had statistics for, 35,000 tonnes is well below the ceiling for our current access as defined by the WTO tariff-rate quota. We are well below the ceiling that we are currently able to export to the UK. Over time, the FTA will allow that figure to grow. As I say, that will also depend on whether our farmers and our exporters judge that the prices are better in the United Kingdom than they are in other markets.

Q235 **Mrs Murray:** It would certainly be cuts and not whole carcass that you would be looking to export.

Bede Corry: The history of the trade with the United Kingdom has typically, and certainly in recent history, been cuts.

Dr Kebbell: Historically it was carcasses; we moved into cuts for obvious reasons. There have been some carcasses coming to the UK, given the frozen element of trade at the moment, but our longer-term ambition has always been to sell the higher-value cuts that meet the sustainable needs of the consumer.

Q236 **Mrs Murray:** Is it the same for Australia?

George Brandis: Yes, it is. Like New Zealand, we have about 100 different red meat markets around the world, and they are very variable. For example, one of our big markets is China.

Chair: We will go on to the China market in a minute.

Mrs Murray: I do not want to be criticised by Geraint for stealing his questions.

George Brandis: Largely, the position is the same as New Zealand. I will give you a statistic to illustrate the earlier part of my answer. At the moment, the domestic price to Australia consumers of Australian beef and lamb is about 40% higher than the domestic price within the United Kingdom of domestically produced beef and lamb.

Q237 **Mrs Murray:** I just have a couple of other questions before I hand over to my colleague. Do you see meat products from your countries complementing or competing with UK domestic production?

George Brandis: We see them competing with the European imports. That is where we expect the competition in the market to be. What we seek in this free trade agreement is to be as close to a level playing field with the EU as we can be, allowing for the fact that we have the inevitable handicap of much greater transportation costs.

Q238 **Mrs Murray:** You do not see yourself as being in competition with farmers in my constituency.

George Brandis: As a general proposition, no. There might be an element of that, but we see the dynamic element in this market as being imported beef and sheep meat. We wish to compete with the other nations from which you import beef and sheep meat.

Bede Corry: If I might supplement those points, with which I agree, I am very mindful of the testimony given by Defra to the Public Accounts Committee of this House back in January. I will quote from it: "Both modelling and our lived experience show that new imports mainly, but not entirely, displace existing imports. We have seen that in particular with the experience on New Zealand lamb, the imports of which have gone down over time in practical terms". It is worth bearing in mind, of course, that lamb exports to the United Kingdom from New Zealand are nothing new; they are 140 years old this year. Indeed, those exports were at higher tonnages than we are seeing today. The counter-seasonality has worked very effectively.

The wider point when it comes to beef, as High Commissioner Brandis says, is that at the moment the United Kingdom is importing around 150,000 tonnes of beef duty-free from the European Union every year. These two FTAs level the playing field there and give UK consumers the choice between British beef, beef from the European Union or beef from down under.

Q239 **Mrs Murray:** I just have one last quick question to both of you. What share of the UK market do you expect your beef and lamb industries to occupy in 10 years' time? I am not asking for a definitive figure. I know you do not have a crystal ball, but what would you expect?

George Brandis: We do not put a figure on that, because it is really impossible to say. To project that far in advance depends upon the dynamics of all of the nations from which you import and your own domestic production circumstances 10 years hence.

My sense is that, for all of the reasons that both High Commissioner Corry and I have mentioned, we do not anticipate that there is going to be a huge influx of Australian beef and lamb into this market, either in the short term or into the long term. We would anticipate that greater market access and the removal of tariffs and quotas would both have an impact on enhancing consumer choice and, depending on unforeseeable price fluctuations a decade out, possibly a price effect as well.

Q240 **Mrs Murray:** You do not expect to fulfil your full allowance of tariff-free quota?

George Brandis: 10 years out, it is impossible to say. Might I remind you that the whole point of the stepped quotas is to insulate and protect your industry against the risk apprehended by some, although not by us, of greater than anticipated imports of Australia beef and lamb? They are steps on the way to a pure or, as your Government says, gold standard free trade agreement, which eliminates tariffs and quotas and makes consumer choice sovereign.

Q241 **Mrs Murray:** Mr Corry, do you have anything to add to that? Do you agree with it? What is your view?

Bede Corry: Similarly, I do not have a crystal ball to project what that figure would be. I would simply add the point that both of the FTAs contain inside those 10 to 15-year periods self-defining limits. They will tell you what the ceiling of trade possible is by tonnage. What we can say within those transitional periods is that the trade will not exceed those numbers, at least not without experiencing a punitive tariff. There are some ceilings that are, as it were, embedded in the treaty.

Q242 **Mrs Murray:** If I can repeat my second question, do you expect to reach the ceiling level of tariff-free quota to the United Kingdom in 10 years' time?

Bede Corry: The overall point of an FTA is to grow and expand trade in both directions, but I cannot make a prediction about whether or not a quota ceiling will be achieved in a given period. These things become obvious in hindsight, but they are very difficult to predict with foresight.

Q243 **Chair:** Just before we leave this one, High Commissioner Brandis, you made the point that Australian beef and sheep meat might well dissipate some of the European imports into this country. The only way they will dissipate those, I dare say, is by being cheaper when they get here. What is that going to do for our domestic market? Your farmers welcomed this trade deal, dare I say it, more greatly than did ours. How do you see that price differentiation working?

George Brandis: I would say two things. First, as High Commissioner Corry pointed out, we should always remember that consumer choice is an important consideration here. It is quite often left out of account, because the consumer does not have the vigorous or vociferous stakeholder or sectoral interest group defending their interests.

I am always unsympathetic, myself, to the argument that there is something wrong with less expensive food for poorer people, especially at a time, as there is now in this country, when there are cost of living pressures. If price were the only consideration, if Australian or New Zealand farmers can make good quality food less expensive for poorer people, that is not a bad public policy outcome.

Secondly, the point I would make is that it is not just about price. It is about quality; it is about the other elements of choice, for example the types of cuts that we discussed before; it is also about counter-seasonality. Price is perhaps the most important, but it is only one of the elements that enable your consumers to exercise their sovereign judgment as to what meat they want to buy.

Chair: That is an interesting point. Thank you very much.

Geraint Davies: Mr Brandis, can you just remind us what the volumetric size of the UK beef market is? Maybe Mr Corry knows or somebody knows. What is the size of the UK beef market? Nobody knows. I just want to get the relativities here. I will get to the point. In 10 years the Australia quota will have risen to 110,000 tonnes of beef, which I understand is about 5% of the total beef production of Australia. The concern in the UK is that that will massively hit UK farmers. The idea that it will substitute for EU imports will only be fulfilled if we put strict barriers on imports of European goods, which it appears we are doing. Is there a real risk that Australia in particular will take a very large share? In fact, Australia plus New Zealand would make 185,000 tonnes. If that is achieved, is there a real risk that a lot of British farmers will be out of business?

Chair: Geraint, that is not at all the question you are down to ask, is it? Please put that to the High Commissioners and then move on to the question you actually have.

Q244 **Geraint Davies:** With respect, Chair, this is a quick supplementary to question 2. I just want to know whether there is a real risk of those quantums displacing a lot of British farmers.

George Brandis: Mr Davies, the short answer to your question is no. At least for the lamb market, I can give you the answer to the first question you put. The United Kingdom produces approximately 300,000 tonnes of lamb per year. It exports 88,000 tonnes of lamb per year—these are 2020 figures—most of which goes to the EU. It currently imports around a third of the sheep meat consumed by British consumers, around 100,000 tonnes annually. We will get you the equivalent figures for beef.

Q245 **Geraint Davies:** I was just wondering, again, if you do reach that quota, what share of our consumer market will you be filling, at the current level? If nobody knows that, that is fine.

George Brandis: It all depends on what year you are talking about, but, of course, this being a free trade agreement—

Geraint Davies: I mean now, on the latest figures.

George Brandis: In the first year after entry into force, the TRQ for beef is 35,000 tonnes and the TRQ for sheep meat is 25,000 tonnes.

Chair: We will leave that one there. Ask the question, please.

Geraint Davies: I just wanted to check what share of the total market would be taken with this quota, and there is no answer to that.

Barry Gardiner: There is. The total production of UK beef is 906,000 tonnes, and Australia's is 2.3 million tonnes.

Geraint Davies: Yes, so the quota would be about 10% of it.

Chair: We have these figures in our brief. Will you ask the question, please?

Q246 **Geraint Davies:** Okay. Can I move on to ask you about the volume of trade you do with China and south-east Asia? If you fulfilled these quotas, how would that impact on your sales to China and south-east Asia?

George Brandis: China is Australia's largest trading partner. At the moment, we have an unfillable demand for Australian beef and sheep meat from China and other markets to our near north. This is why, if I may say so, with respect, the argument that all of the beef or sheep that Australia sells to China is somehow going to be placed in the UK market is a fanciful argument. It is not. That is entirely fanciful.

We cannot meet the demand we have from our near north at the moment. There are two features of the markets Australia has, which involve much lower transport costs, of course. They are that the population, particularly of the ASEAN nations, is growing rapidly. The rate of economic growth of those nations is growing rapidly. More and more consumers are moving into the middle class. Their tastes are changing and becoming more discriminating, and they have higher disposable incomes as they move. Indonesia, for example, is the fourth-biggest country in the world. Last year it grew at a rate of 6%, according to the IMF. It is the third-fastest growing economy in Asia. The demand for our product is escalating rapidly in our own neighbourhood.

Q247 **Geraint Davies:** Let us get to the point. What if they impose trade sanctions on you, as they did on wine, because you complain that they are committing genocide or human rights abuses or whatever it happens to be? They could say, "Okay, we will not take your beef". Then it will be dumped on Britain, will it not?

George Brandis: No.

Q248 **Geraint Davies:** Where will it go then?

George Brandis: We have approximately 100 markets for our red meat all over the world.

Q249 **Geraint Davies:** What proportion goes to China?

George Brandis: It is quite a substantial proportion.

Q250 **Geraint Davies:** Can I ask the same question of Mr Corry about New Zealand? How much exposure do you have to China?

George Brandis: We will get that figure for you.

Bede Corry: Can I approach this in a slightly different way? At the risk of sounding like a broken record, both FTAs contain self-defining limits. Your use of the word "dumping" in this case, with respect, is misplaced.

Chair: "Dumping" is an unfortunate expression, yes. It is beef arriving from both Australia and New Zealand if it did not go to China. That is the question.

Bede Corry: For the next 10 to 15 years, subject to what product we are talking about, the FTA contains self-defining limits through quotas that we might regard as more restrictive than we would like. They impose ceilings on the level of trade.

I want to address this broader question, though, that somehow trade is switched off like a light switch in one part of the world and can be switched on in another part of the world, also like a light switch. It simply does not happen like that. A very deliberate part of New Zealand trade policy, since indeed the United Kingdom joined the EEC in 1973, has been to spread our risk. That is why we have 150 export markets and 100 for lamb alone.

It does not follow, as night follows day, that the putative closure of one market would suddenly see everybody coming to the United Kingdom. Farmers will go where prices are best, where trade is possible and where understandings are in place with distributors, supermarkets and regulatory authorities and so forth.

Q251 **Geraint Davies:** My point is that New Zealand and Australia combined have the right to fill something like 10% of the UK market. If they choose not to fill it and then suddenly face a problem in China for political reasons that releases a lot of excess capacity, they are then in a position to put a big volume of beef or sheep into the UK market at a very competitive price, which would cause problems for our farmers. Is that true, Mr Brandis?

George Brandis: No. When you say "put" into your market, there are quotas over a stepped period of 10 years and then a five-year safeguard period after that. Beyond 15 years, there are no tariffs and no quotas. It is up to British people to decide which meat they want to buy.

As I said before, if one result of these free trade agreements is, in future years, that poorer people in Britain who are suffering cost of living pressures have an opportunity to choose less expensive food because of imports from Australia, and New Zealand for that matter, that is not a bad thing in terms of social justice. In terms of economics, it is not the way the world works that Governments or nations put quantities of product in one another's markets.

Mr Macdonell wanted to add something in particular in relation to the China issue you specifically raised.

Kieran Macdonell: It went to the specific question about the type of products that go to certain markets. It goes to the issue of carcass optimisation. It is a benefit of having as many markets as you possibly can. I know Mrs Murray on the Committee over there talked about cheaper cuts. If you have lots of markets, there is no such thing as a cheaper cut. In Australia and in the UK, I expect that offal is not a highly prized portion of the animal, but in much of east Asia it is a highly prized portion of the animal that chases a premium price. Australia sends its offal to those types of markets.

In particular in markets like China, we export things like brisket, manufacturing and shin/shank beef, along with beef offal. The UK has more of an interest in topside, silverside, rump and sirloin. They are quite separate markets. If the China market did turn off for whatever reason, the products that we send to that market are not compatible with the UK market. We would need to find another market similar to China to send those products.

Q252 **Geraint Davies:** Finally, in Wales, where I am, the average size of a sheep farm is 100 times smaller than one in Australia. Clearly, there are concerns about economies of scale and undercutting through efficient use of production and the like. What would you say to a Welsh farmer who is being asked to sell his land to British Airways to offset carbon instead of raising sheep? Is there any reassurance for small producers in Wales or Britain?

George Brandis: The reassurance is to be found in the protections that are provided for by the transition period in the first 10 years and the safeguards in the safeguard period. There are protections for the first 15 years in any event.

Of course, including for the reasons that Mr Macdonell just adumbrated, we have different markets. We do not think that Australian sheep and lamb producers are going to have available product to land in this market in vast quantity when we cannot fill the demand for our product in our own neighbourhood. You have narrowly focused your questions on China. China is not the only large consumer of Australian red meat in north Asia or east Asia.

Geraint Davies: I will leave it there.

Chair: The next questions must be supplementaries, please.

Q253 **Dr Hudson:** Many people in this country have been concerned about the strength of the safeguard mechanisms in these trade agreements in terms of the tariff-rate quota mechanisms. We have been asking about those so far. I have noticed that from both delegations a lot of this is hypothetical. You say, "We do not anticipate that we will get to these levels. We cannot be sure. It will depend on UK consumers". We have also had a line of questioning about geopolitical events as well.

There is a concern that the step changes in tariff rates may not be safe enough. If the unanticipated happens, do you understand that the British industry and the farmers that I represent are very concerned that the safeguard mechanisms are not strong enough to counter the hypotheticals? High Commissioner Corry, do you want to kick off?

Bede Corry: Thank you, Dr Hudson, for the question. It partly depends. "Safeguards" has a technical meaning in the context of a free trade agreement. In terms of the safeguards, as generally understood, not being strong enough, at a certain point they are a matter of law in a treaty that says that any export sendings over this quantum in this year will attract a punitive tariff. That to me looks like quite a significant safeguard, because the extra duty will be of the order of 20%. That is as a matter of law in the treaty. In that sense, if you asked the average New Zealand farmer, they would say that the safeguards are too strong and that they would prefer a more liberal approach. They are what they are, and they are the function of an agreement.

Then there are safeguards as the term relates to a particular measure that can be taken if industry can demonstrate injury in relation to a given import, in other words that there has been a very high number of sendings at a particular price and the industry is accordingly able to claim damage. Then there is recourse under the treaty. My colleagues will correct me if I have dumbed these concepts down, but I would come back to the point about the first safeguards. For the 10 or 15-year periods, they are iron law. Any exceeding of the quantums in a particular year will face the major disincentive of a punitive tariff.

George Brandis: Dr Hudson, I would adopt what Mr Corry has said, but I would also remind you of a point that we both made earlier. The displacement effect is likely to be seen on other imports, not on domestic production. On top of that, Australia and, for that matter, New Zealand have the structural disadvantage of much higher transport costs. It is harder for our farmers to access this market than it is for EU farmers, but it is those farmers that we expect to be competing against.

Q254 **Dr Hudson:** Again, it is coming back to predictions.

George Brandis: They are always predictions.

Q255 **Dr Hudson:** These are predictions rather than fact. What we are asking for is a stronger way of turning down the supply if unintended things happen. That is all we are asking for.

George Brandis: Indeed, yes. It is a matter of degrees. The number you put on the step changes in the first 10 years in the TRQs and then the way you structure the five-year safeguard mechanisms can always be matters of debate. Those who have a more protectionist mindset, first, would not want a free trade agreement in the first place, and, secondly, would say, "Make it tighter; make it harder to get into the market".

Your Government have made a policy decision to pursue a global trade policy, which means having more free trade in areas beyond the EU. To give effect to that, in my respectful opinion, wise policy choice, we have nevertheless calibrated the Australian FTA—I know New Zealand has somewhat similar safeguards—so as to ensure there is a cushioning effect on those sectors that feel more exposed.

Q256 **Kirsty Blackman:** I think I know the answer to this, but I would like to get it on record. How much scope do you have to massively increase the amount of meat you produce in order to be able to fulfil all of the markets that you go to?

I have another question. If you end up taking a large share of our market because consumers are choosing that but then something happens and you pivot away, what does that do for our food security? How do we ensure we are still able to provide enough meat for the consumers we have in our country?

George Brandis: You are identifying the opposite problem to the other members of the Committee. The contrast between the two demonstrates that global trade is essentially dynamic. As we are seeing tragically at the moment, it can react very sharply to unanticipated global events, which is why both Mr Corry and I have been very hesitant about making very long-term projections.

If I may say so, the approach is to ask, "Is freer trade overall a good thing from the point of view of consumers and for the economy as a whole?" It is the lived experience of Australia and New Zealand that the answer to that question is emphatically yes. Secondly, in introducing a more liberal trade policy, you need to ask, "How do you design safeguards, cushions and buffers for more vulnerable sectors during a transition period?" In both of these agreements, those have been very carefully calibrated. Then it becomes an argument about degree. There could be those effects in years to come. We cannot say there will not be, but that is the nature of trade.

Q257 **Kirsty Blackman:** What about your production capacities?

Bede Corry: To supplement the answer, as I indicated earlier, the capacity to suddenly develop a surge in production in New Zealand to fill a market here is extremely limited, because of the production constraints we face.

Tacitly within this question and some of the other questions is an assumption that somehow New Zealand and perhaps Australia are rampant price-cutters seeking to undermine the market. Our exporters have an interest in sustaining the market price. As High Commissioner Brandis has indicated, it is no small consideration to export commodities 12,000 miles around the world, and it is not cheap. The idea that you could somehow subvert the market by dumping, to use that extremely loaded word, seems very remote.

If I might give a supplementary answer to a supplementary question, what I would say to the Welsh farmers—

Chair: I will allow you, High Commissioner, yes.

Bede Corry: Thank you, Mr Chairman. I am probably stretching my flexibility here, but, taking all that into account, what I would say to a Welsh farmer is, "Let us look at the last 140 years". We have managed to sustain market interest in lamb in the United Kingdom through the seamless provision of lamb on to UK supermarket shelves because of counter-seasonality. Without that, the United Kingdom would have a six-month period where lamb is not on the shelves. Consumers, as evidence shows, then tend to head to other products.

George Brandis: Just to complete the answer I gave before, you asked, in relation to Australia, whether there is capacity for significant surplus production beyond our current levels. The answer is no. We have an efficient industry that is optimally configured to meet a growing demand from our region. Of course, producers want more options and more potential markets, which is the whole motive behind having more and more free trade agreements: we want to have more movements of goods across the world. We do not have, as it were, an under-utilised additional production capacity that we are waiting to unleash on the British or indeed any other market.

Kieran Macdonell: On your question about food security, I just wanted to add that one of the best ways to ensure food security is having as many suppliers as possible, which is why Singapore is one of the most food-secure countries in the world even though it produces virtually none of its food.

Q258 **Barry Gardiner:** High Commissioner Brandis, if I were that forensic QC the Honourable George Brandis, and you were the witness before me, I might seek to point out what I saw as some anomalies in the evidence that you have presented to the court. You said, for example, the current amount of beef exported from Australia to the UK is 1,000 tonnes. Given that year one is 35,000 tonnes and it goes up to 170,000 tonnes in year 15—

George Brandis: It goes up to 110,000 in year 10.

Q259 **Barry Gardiner:** Our figures do disagree, in that case. You found it extremely unlikely that you would be able to fulfil that quota, yet you negotiated such a substantial increase over that period. Did your negotiators have no understanding, the same as you do, that this would be highly implausible? That is what you led the Committee to believe. You said this was just ludicrous and that you could never meet these. In that case, why did you negotiators negotiate them?

George Brandis: Mr Gardiner, I have a couple of things to say. First of all, you will recall that I resisted to the limit of my strength the very pressing encouragement of the Chairman and other members of the Committee to make firm predictions as to future volume. When pressed, I made some observations about what I thought was likely. Nobody can map these figures. That is my point. Nobody can extrapolate, particularly from such a low base. We are in the realm of conjecture here.

Secondly, why do negotiators arrive at a figure? Because they want as much flexibility as possible. We are talking about a free trade agreement. The perfect state of a free trade agreement is the end state, where there are no quotas and no tariffs. The fact there is a phase-in period—indeed, a very long phase-in period—tells you that the British negotiators wanted to defend or protect sectors that felt particularly vulnerable. The fact that there is a phase-in period for some agriculture commodities reflects a limitation on the principle of free trade.

The Australian negotiators, no doubt, wanted to ensure that within that limitation, the ceilings were as high as possible to give Australian producers as much flexibility as possible. The happy end state we both want to achieve is no tariffs and no quotas, which will be achieved in possibly as soon as 10 but not later than 15 years. This is a compromise, like any deal.

Q260 **Barry Gardiner:** I remain unpersuaded that your sense of what is plausible and your negotiators' sense of what was achievable in the deal are reconcilable.

I wanted to focus on animal welfare and animal welfare standards. Again, at the beginning you were an excellent advocate for your position. You talked about the working groups to establish—I think I quote you accurately—world-leading animal welfare standards. The only problem with that is that whereas Animal Protection Index gives the UK an A for its animal welfare standards, it gives Australia a D.

It does not seem to me that those world-leading animal welfare standards that you were talking about negotiating or co-operating on in a working group are actually taking effect. I wondered if you would like to talk about the animal welfare standards and how you see this free trade agreement as having impacted upon them to improve Australia's animal welfare standards.

George Brandis: Let me make three quick points quickly, please, Mr Gardiner, and then I will hand over to Mr Macdonell, who can to give you a more granular answer.

First of all, as you are aware, the Australian agriculture advocate Sue McCluskey met with members of this Committee, including you, a few weeks ago. This issue was addressed by her with some particularity. Some questions were posed and the responses have been provided in written form, so I will refer you to those and incorporate them by reference in my response to your question.

Secondly, Australia does not for a moment resile from the proposition that we have world-leading animal welfare standards, as judged by the OIE—we regard the OIE as the principal international certifier on this topic—which in its most recent survey gave Australia the highest score, five out of five, on animal welfare standards when the last assessment was made of Australian agriculture.

Thirdly, coming specifically to the free trade agreement, may I draw to your attention the provisions, particularly in chapter 25 of the free trade agreement? Those provisions create a structure whereby our two countries will work together through our respective officials to learn from each other's standards and to elevate collaboratively global standards in our animal welfare. That is one of the benefits of this free trade agreement. It is not just a commercial benefit to consumers and producers; it is also a benefit in a regulatory sense that we work together to define and elevate standards. Mr Macdonell might have some more specific things to say.

Kieran Macdonell: I would just reinforce the World Organisation for Animal Health evidence that the High Commissioner has mentioned, but I would also note that, since 2012, the EU has undertaken five in-country audits to evaluate Australia's controls over meat and dairy production, which included an assessment of animal welfare outcomes. Each audit outcome reflected positive views on Australia's approach. I would just note that the UK was a member of the EU for all these audits.

Q261 **Barry Gardiner:** You said "positive views on Australia's approach". That implies a process rather than an outcome or a state, does it not?

Kieran Macdonell: No, I do not agree with that. I believe it implies both an approach and an outcome.

Q262 **Barry Gardiner:** Somebody's approach could mean the way in which they are improving, could it not? The way in which they are improving could mean that they are improving from a low base, could it not?

Kieran Macdonell: I do not accept that as a proposition.

Q263 **Barry Gardiner:** Perhaps you could refer me to the passage in the EU audit where it explains what it is.

Kieran Macdonell: I am happy to bring up these audits and the outcomes of these audits for you. I can provide them to the Committee if that would be of assistance.

George Brandis: Is it your point, Mr Gardiner, that it sounds to you as if that is a qualitative rather than a quantitative judgment?

Barry Gardiner: No, it was not that. It was that the phrase that Mr Macdonell was praying in aid was subject to many interpretations. He clearly intended for the Committee to take one interpretation of it. I proffered to him an alternative interpretation.

Chair: Barry, can we tone it down slightly, please? No? Carry on, then. I am just asking you to be slightly more diplomatic, that's all.

Barry Gardiner: I am sorry. I am dealing with diplomats and I should be diplomatic. I thought I was being perfectly courteous—robust but courteous. If I was not, then I apologise.

George Brandis: That is absolutely fine. Absolutely no offence is taken at all. Let us provide you with the report so that we are making our decisions based on the text and what the authors said rather than what you infer from Mr Macdonell's answer that they may have said.

Q264 **Barry Gardiner:** That is fine. Let us go even further to the facts rather than the text of what somebody has said. Key Australian animal welfare concerns that have been raised with this Committee include hot branding, mulesing, the live transport of livestock for 48 hours without food and water and the lack of slaughterhouse CCTV. Those are areas where the UK practice differs from your practice in Australia. This Committee believes that the UK practice is superior in terms of animal welfare. Can you tell me that, on all of these issues, we are mistaken? If so, how?

George Brandis: I am not familiar with the issue—Mr Macdonell might be—of CCTV. In relation to mulesing, Ms McCluskey provided extremely detailed evidence to members of this Committee, based, by the way, in part on her actual experience as a farmer in Australia. I refer you to that. Mr Macdonell may have something to—

Q265 **Chair:** High Commissioner, she also made the point that this was very much in the Merino flock, which largely do not come here as meat. We would like Australia, if you are mulesing, to ensure everything has anaesthetic. You are moving in that direction.

George Brandis: Yes, we are moving in that direction.

Q266 **Barry Gardiner:** 87% of the mulesing procedures performed on Merino sheep were done with anaesthesia and analgesia. I understand that. That does mean that 13% were not.

George Brandis: The remaining 13% is being addressed, as I understand it. Mr Macdonell can say something about that, but I would like to address the issue around the 48-hour transport of cattle.

With respect, that is a misconception. That is the maximum. That is seldom ever observed for a very simple reason. I come from Queensland, which is the state in Australia where about half of the cattle industry is. I represented it as a senator for many years, so I am very familiar with this industry. I can assure you that in Queensland most of the abattoirs are a matter of a few short hours from the cattle yards. No cattle are going to be transported for 48 hours to an abattoir from a Queensland cattle lot or property, because you could not drive for 48 hours. The distances are much smaller.

Very rarely in the far north of Australia, in far north Queensland and in the Northern Territory, you may get distances like that. The cattle there are Brahman cattle, which is a completely different breed from the type you have in the United Kingdom. They are bred for dry conditions and they are very durable beasts. Please let us not use this 48-hour figure, because it is extremely rare. It applies only to cattle of a kind, durability and robustness that you do not have in the United Kingdom. It is misleading to think that is an Australian standard.

Q267 **Barry Gardiner:** There was no implication in what I said that it was an Australian standard, but of course—

George Brandis: Or a common practice.

Q268 **Barry Gardiner:** What one does, though, is to have legislation precisely to ensure that such standards are as tight and as helpful as possible. My point and the point of Compassion in World Farming, the Humane League, the Trade and Animal Welfare Coalition and all of those other organisations is that those are not standards that are enforced by law in Australia. We no longer send children up chimneys in this country. It was never in the latter years very common, but we put a law in place to stop it. The fact it does not happen very often does not mean there should not be a law in place to stop it. I am keen to hear what Mr Macdonell has to say.

Kieran Macdonell: On some of those specific issues that you had, the easiest way to deal with those is to provide those on notice to the Committee secretariat and we can provide specific answers to that, just so I can make sure I get the exact specifications you are after.

Q269 **Barry Gardiner:** It is the use of hot branding, mulesing—we have discussed that at some length—the live transport issue and the slaughterhouse CCTV, which is done to ensure the welfare of the animals within the slaughterhouse.

George Brandis: That would be a supervision and enforcement mechanism, presumably. You are not suggesting that there are not appropriate legal or regulatory standards. Is your suggestion that the want of CCTV means the observance and enforcement of those standards may be wanting in some respects?

Q270 **Barry Gardiner:** The point of any enforcement of legislation is to make sure that it happens in accordance with the law and in accordance with the standards that are set. Therefore, to ensure the welfare of the animal, we have in place in this country slaughterhouse CCTV as a method of enforcing the standards we wish to maintain.

George Brandis: Mr Gardiner, you will find that Australian farmers are very law-abiding people. They do not need to be supervised by CCTV to obey the law.

Q271 **Barry Gardiner:** I am sure there is no imputation on your part that any of the people who administer the slaughterhouses in this country are anything less than law-abiding.

George Brandis: No, of course not.

Barry Gardiner: None the less, it is always good to have good enforcement, and CCTV does provide that. That is why we think it is helpful in terms of animal welfare.

Q272 **Chair:** High Commissioner, Sue McCluskey was a very good ambassador for your agriculture when she came to see us. There is one final point I would like to raise on the length of journeys. She made the case that the cattle we are likely to have from you would have far shorter journeys and the cattle that we have from you are very similar to our own. I very much took that on the chin and accepted that.

I have one final question for you. If you do not take your cattle very often on 40 or 48-hour journeys, why do you have the rule there? It would be one stick less with which we might beat you—only metaphorically speaking, I hasten to add. Why is it still there? It is an issue for us. We are on 12 and we are coming back to eight, and we may even reduce it to less in this country. It is an issue that our farmers will pick up on.

George Brandis: Mr Parish, the answer to that question is likely to lie in the fact that these regulations are regulations of state and territory governments, not the national Government. In northern Australia in particular, where some of the cattle industry is, the distances are vast. The population is sparse and the properties themselves are vast in northern Queensland, in the Northern Territory and in the northern parts of Western Australia. Western Australia is a jurisdiction about three times the size of the United Kingdom.

I suspect that the Parliaments of those subnational jurisdictions and their regulators accommodate the vast distances and sparse populations of those areas in that way, but the point I make is that most of the cattle do not come from there.

Q273 **Chair:** I understand the size of Australia and I understand the difference between states. Just before I finish, I want to raise one interesting point of the agreement. When we do an agreement with the nation of Australia, we expect to do that with Australia, not necessarily taking account of the differences between states. How does that work? Yet probably the cattle we are going to get, according to Sue McCluskey, are very likely from parts of Australia that will have far less distance to travel. We do not know that within the agreement, do we?

George Brandis: By the way, that is why one of the provisions of the agreement, article 25, is the animal welfare joint working group. I would not second-guess anything Sue McCluskey had to say. She knows so much more about the industry than any of us. Her evidence to this Committee, I understand, was that the vast majority of the beasts will be from more densely populated areas.

Chair: It is not in the agreement that we have signed with you, and I accept that, but in future it would be nice to know that the cattle that are coming from Australia will have been on far shorter journeys than 40 or 48 hours. This is something that we probably need to work on in the future.

Sometimes there is a breakdown of communication, in a way. I do not want to down all Australian farmers, and nor should we. There is a lot of good within Australia. A lot of the beef that we have will be fine. We are still very worried about these particularly long journeys. Anything we can do to work on that would be really good from all sides. Do not think for one moment that all UK farmers are against a deal with Australia. They are not, but they want to have some sort of level playing field, which they are not quite sure about.

Q274 **Barry Gardiner:** I wanted to follow up on that, because I was anticipating the High Commissioner's response there. Simon Smalley, the minister-counsellor at the Australian High Commission, had already sought to defend Australia's ranking on the API by saying that it "biases its thinking towards whether you have national laws. In Australia, because we are a federation with a written constitution that provides for animal welfare to be dealt with by our state governments, we do not have a head of power to have federal laws on animal welfare". Of course, we have a similar situation in the UK with respect to EFRA in the devolved Administrations. However, when you sign a treaty, the treaty is signed by the national or federal Government. Therefore, it would be binding. It would not be a fair response to say that this could not be incorporated into the treaty and cover all those subnational laws.

George Brandis: Mr Gardiner, we do have mechanisms within Australia whereby the national Government and the state and territory governments work collaboratively on common standards. The point I was making to you is that the setting of those standards is, under our constitution, a matter for the state and territory governments. That is also one of the reasons the FTA does establish these mechanisms: so that we can be sure the highest standards will be observed by both countries.

Chair: We will park that one there.

Q275 **Kirsty Blackman:** I have a follow-up specifically on that. More broadly, in terms of signing international agreements as Australia, do you tend to steer away from including things in those national agreements that will tie the hands of state or territory governments? Do you include some of those and then hope you will be able to convince the state and territory governments to align with the national agreement? I know it is quite a general question.

George Brandis: It is a good question, if I may say so. Welcome to the joys of a federation. The policy lead and the legislative power in these areas lies with state and territory governments. The treaty-making power, as Mr Gardiner has rightly pointed out, lies with the Australian Government, the national Government. What the Australian system of government tries to do—not always with success, and across party differences as well—is, at an operational level, to ensure that the different levels of government work collaboratively so that we can have common and high national standards of regulation.

The FTA is a very good example of the way in which the national Government entering into a treaty and setting a standard can show a lead to the state and territory governments and, as part of that dialectical process between the central government and the state governments, can continue to lift the standards.

Q276 **Dr Hudson:** Thank you to all our witnesses for being before us today. If I could declare a strong professional interest in this, I am asking the follow-up on animal welfare to the New Zealand delegation, but, as a veterinary surgeon, animal health and welfare is something I am passionate about professionally. I have also had the privilege of working on farms in the UK and in Australia. Sadly I have not had the privilege of working in New Zealand.

I want to echo the Chair’s comments that we are not trying to damn all Australian farmers. I get very frustrated when people say that Australia has no concept of animal husbandry. I have seen first-hand the excellent farming standards and standards of the veterinarians working there. We have shared values, and we are trying to make sure there is a level playing field that our UK farmers are working to. There are just different ways of producing things in the southern hemisphere, and we are looking for some parity of esteem within that.

I want to go to High Commissioner Corry to start with. The new FTA between the UK and New Zealand concludes that our respective animal welfare laws provide comparable outcomes in many areas. I am interested, for the Committee, to understand the basis for this conclusion. There was a bit of difference there with the Australian deal. What was the basis for concluding that there are similar outcomes there?

Bede Corry: I just want to understand the question precisely. I am sorry, Dr Hudson. Could you just repeat it?

Q277 **Dr Hudson:** The FTA concludes that the respective animal welfare laws in both countries provide comparable outcomes in many areas. There was a level of agreement between the two countries that was able to be implicit, and I am just wondering what the background of that was. Maybe Dr Kebbell can chime in on this as well.

Bede Corry: I will certainly turn to him for his expertise in terms of the particularities. Let me make a broader point. I may be being a little bold in so doing. We need to be a little cautious in this discussion—it is extremely welcome that the Committee is taking such a close and forensic interest in it—about saying that the United Kingdom is somehow normative in respect of animal welfare and everybody else is somehow deviant from that.

Animal welfare is prized in New Zealand. That is hardly surprising. It reflects, indeed, the very important legacy of approaches, dispositions, world views, laws and regulatory systems that we have inherited from the United Kingdom. I cannot speak for Australia, but I am sure there would be a lot of truth in that there. As a general approach here, I do not want us to assume that the UK is the norm-setter and everybody else has somehow slipped. If you were to take a very close and forensic look, it may well be that this discussion could be flipped and you could have a discussion in an analogous New Zealand parliamentary committee that looked at UK animal welfare standards and saw them as falling short.

With that general caution, because of the way in which we have worked together so closely over the years—I want to come back to how we are going to do that in the future—there is a very broad understanding of our respective systems and an understanding that they deliver comparable outcomes. As part of that, there is an understanding that it does not make sense to look for identical standards at the level of particulars, because the farming systems in many respects are so different and the environment in which they are taking place is so different.

Before turning to Dr Kebbell for any helpful elaboration he has, I would also just say that, in some respects, debate on the FTAs before you has had a slightly disputatious quality. In fact—again, I cannot speak for

Australia—in the case of New Zealand we actually want to be working with the United Kingdom in respect of a whole lot of other markets where our joint approach is not shared. That is why it is quite important that this FTA contains a joint working group and is accompanied by a broad political understanding at ministerial level that we want to be working together in global fora and with other countries where our high standards are not shared.

I will turn to Dr Kebbell for any additional comment that he would like to make.

Dr Kebbell: Dr Hudson, I would also like to declare my personal experience as a veterinarian, looking after animal welfare verification in New Zealand. The one thing I would say from a comparable perspective is that, if you step back and look at New Zealand and the UK, we have shared a very similar path of evolution in terms of our regulatory systems and the way we regulate our stakeholders, and so on. Entering into conversations around animal welfare, we come from a much more enlightened space. That is about respecting the regulatory system, the competent authority and the way we deliver our controls.

That enables us to step back and say, "We are delivering animal welfare outcomes positively and meeting each other's expectations, though maybe not always in the same way. The systems in place will deliver the outcomes for the animals".

Dr Hudson: Let me come back to you. In this Committee, we are not wanting to pit Australia against New Zealand in some sort of Bledisloe Cup. Can you give us some idea about the main differences in New Zealand's approach to animal welfare regulation? High Commissioner Corry, you made a very important point that we share common values. What we are trying to do globally is drive up animal welfare standards in all countries. What are the main differences in New Zealand's approach to animal welfare regulations compared to Australia?

We have already touched on mulesing. There are climatic differences, and potentially it is less prevalent in New Zealand. That is why it was perhaps easier to move away from it in New Zealand. There is a difference on mulesing and on non-stun slaughter as well. There have been some things that New Zealand potentially has been able to move forward on that Australia perhaps has not. What is the backdrop to that? Is there a different approach? Are they just different countries? What is it?

Bede Corry: Dr Hudson, let me just echo your last phrase there: they are different countries. I have not done a compare and contrast of the two systems in New Zealand and Australia. My job is to represent the interests of New Zealand in this FTA in the United Kingdom. We share much in common with Australia. We have an enormously close friendship, very common interests, free population movement and many other good things, but we are not a homogenous set. We are appearing before you and we are making some very similar points about these FTAs, but we are different countries.

We have different pastoral systems. Australia is largely an arid country. New Zealand, in the words of a Latinate former Prime Minister, is a very pluvial country. We have different regulatory systems in some respects. They are different places. I cannot speak to why a particular New Zealand standard is different from Australia's. That is a matter of autonomy for both countries.

Q278 **Dr Hudson:** Dr Kebbell, could you comment on some of the issues? Yes, there are different regulatory systems, but there are some differences.

Dr Kebbell: Again, it is very difficult to comment on Australia. I am not familiar with Australia at all.

Q279 **Dr Hudson:** Talk us through the New Zealand journey.

Dr Kebbell: The New Zealand journey is very much about maintaining New Zealand's reputation, maintaining the welfare for animals, and working closely with allies, such as the European Union and also the United Kingdom, to understand the science and the evidence around welfare, advancing standards, advancing regulatory programmes and working with stakeholders, to ultimately deliver on the needs of the animal but also to ensure that customers are getting a product that they are comfortable buying.

***George Brandis*:** It is important always to bear in mind that Australia and New Zealand are different countries, topographically, climatically and constitutionally, which is relevant here, and therefore the way in which we regulate agriculture and animal welfare may be different. Those are differences dictated by different circumstances. It does not follow that we have different objectives. In fact, we have the same objectives. New Zealand, Australia and the United Kingdom all aspire to have world's best practice animal welfare.

We in Australia believe that we do, and we can point to the international certification that says we do, but because we are different countries, some of the issues will be different. Take, for example, a matter that has been raised already in this Committee this afternoon, the issue of transport distances. Because Australia is a very large and sparse country, as neither New Zealand nor the United Kingdom is, we have a different framework for governing the transportation of beasts from place to place, particularly in northern Australia. That does not mean the welfare of the animal is of any less concern to us than it is to you or our friends in New Zealand. It is just the topography is different.

Equally, your colleague, Mr Gardiner, quoted another standard, which apparently gave Australia a poor mark, but as he quoted Mr Smalley, Mr Macdonell's predecessor in this office, as pointing out, when challenged on the issue at an earlier hearing, the reason for that is because that survey only assessed national standards, whereas in Australia, the regulation is done at a subnational level, overwhelmingly. There was a failure to appreciate, on the part of that survey, that Australia did not have national regulation in certain areas, not because there was not national regulation within Australia, but because it was not regulation of the national Parliament.

Can I use a third example quickly? Australia does not have regulations as you do in the United Kingdom—and I do not know about New Zealand—about the amount of time during which beasts can be kept indoors or on concrete floors. Do you know why? Because they are never kept indoors or on concrete floors because it is not as cold and it does not rain as much in Australia as it does in the United Kingdom. We do not have that regulation, and we do not need it. There is a different regulatory environment, but that does not mean that the animal welfare criteria and the value we place on animal welfare is not just as high as yours.

Q280 **Dr Hudson:** I will move to the second part of the question, which is to both delegations. With that in mind, we are aspiring to higher animal welfare standards. Why then could the UK, New Zealand and Australia not agree on something more ambitious than a non-regression clause in the animal welfare chapter? The non-regression clause just says that neither of us is going to get worse, when we are trying to say globally that we are all trying to get better. Why did we not have something more ambitious than a non-regression clause?

***Bede Corry*:** The two countries engaged in the New Zealand-UK agreement already share high ambition in this area. The FTA simply sets a baseline and says it would be completely inappropriate to abandon our animal welfare principles, approaches, standards or regulations in order to attract trade and investments. It is like a form of insurance policy. The FTA also establishes a joint working group, which is the locus for the kind of discussion, Dr Hudson, I think you are talking about, about how we can work together to lift respective animal welfare approaches, but also to work globally, including with our friends in Australia in this area.

Q281 **Dr Hudson:** Are you optimistic that the working group has the potential to increase and improve the animal welfare? We have talked about core standards, and I think, from both sides, you are saying you feel it is not appropriate to have core standards defined. I personally disagree with that. We would have liked to have seen some red line products being listed—not necessarily standards, but certain products that we find unacceptable in our British market. My argument would be that both Australia and New Zealand would say, "Fine, we will not put it on the boat to you". Why could we not agree on things like that?

Chair: You are asking the High Commissioner to negotiate for us. That is the problem with that question, but it is a fair question.

Dr Kebbell: We have a very good agreement there. Animal welfare is well catered for. We have been working very closely with the UK for many years. We have a collaborative animal welfare forum with Defra, where, in the background, over the last month, we have been talking about animal welfare and sharing experience on areas of regulatory development and policy, and that will continue.

Under the FTA, I see it only expanding and becoming more opportune, working internationally on OIE and other areas that we can actually look to help lift international standards.

Bede Corry: If you accept that both countries' systems provide comparable outcomes, then that somewhat vitiates the need for a highly prescriptive chapter in the FTA. It is rather like the SPS area, where your strength of confidence in the other country means that you do not need to do, for example, a standard-by-standard elaboration of what is in and what is out. You are accepting that the other country is of high standing in this area and moving forward from there.

George Brandis: There is much wisdom in what Mr Corry just said. It absolutely is the same reason for the approach that was taken in the Australian FTA. Can I also make the observation that I think the provision in the Australian FTA you are referring to is article 25.1.3, which is the provision that says we are not going to derogate from our current standards? It is like the joke about having a veterinarian or a lawyer, and you have a different sort of discourse.

Dr Hudson: I don't know that one.

George Brandis: The presence of a non-derogation clause in a treaty is not a signal of a lack of ambition. In fact, on the contrary, it can be, as Mr Corry points out, a signal of confidence in the status quo, a resolution never to fall below the status quo. It is also important to add that this treaty creates a structure whereby the two countries will work to improve beyond where they currently stand, both the United Kingdom and Australia.

Chair: Can I also say to our New Zealand representatives that your system, with religious slaughter and being able to have recoverable stunning, is something that we may well be looking at ourselves? I appreciate the work that you have done on that.

Q282 **Derek Thomas:** Well said, Chair, and apologies for being late. I sat on the Science and Technology Select Committee many years ago, in this place, where our chief medical officer said that antimicrobial resistance was the greatest threat to humankind at that time. It is good that these FTAs are seeking to increase co-operation between the countries to try to address antimicrobial resistance and the use of antibiotics in animals in particular in the food chain. How do you think that can be progressed, and is there good news in FTA in that sense?

George Brandis: Yes, there is. It is article 25.2 in the Australian one. Sub-article 1 makes the very point in almost the very words that you just used, sir. The parties recognise that antimicrobial resistance is a serious global threat to human and animal health, and they go on to covenant to work together to address it, including by the establishment of a committee on co-operation to develop standards, about which Mr Macdonell might be in a better position than me to expand.

***Kieran Macdonell*:** I will just add to that, just for context, Australia's chief veterinary officer is the previous president of the OIE. Within the OIE, as part of his presidency, he was actually spearheading an OIE campaign on AMR internationally as well.

Australia also released a few years ago our second national plan on AMR. The point I am making here is that it is a big issue for Australia, for which we are taking international leadership. Having a forum with the UK where we can exchange views to advance this issue is clearly a positive thing.

Q283 **Derek Thomas:** It is positive, because we made a lot of progress five or six years ago but it has gone a bit off the boil now, and it is still a critical issue. What other things can the three nations do to support each other to get that message out, particularly in terms of how we treat animals' ill-health? Is where we are a good picture?

Dr Kebbell: AMR, of course, is very important to New Zealand as well. It is important globally, and I do not think any country alone can deal with the issue. The issue is best dealt with through collaboration and open and transparent conversation. The power of the FTA we have here and the AMR section is empowering the competent authorities, regulators and interested parties to come together and to share experience of what they are doing in their own markets, whether it is about how we are reducing the use of antimicrobials in the agricultural sectors, how we are working with our veterinary colleagues, how we are working with public health, but importantly, what is working in terms of driving changes of behaviour, the prescription of veterinary remedies, how they are used by farmers and what works. That is the power of that area of the FTA.

Derek Thomas: I am encouraged.

***George Brandis*:** If I may say so, a treaty is not the place to go into a lot of technical detail about an area of rich and deep scientific learning. The treaty should, and does in both cases, establish a structure within which that can be done by the scientists, technologists and the experts.

Q284 **Chair:** Commissioner Corry, I know that poultry and pigs are not included in the Australia deal. I know that New Zealand is not particularly big in the production of pigs. I do not know quite where you are on poultry. Are pigs and poultry included in our agreement with you?

Dr Kebbell: If you were to look at the FTA as a whole, yes, they are covered in terms of the animal welfare chapters and the antimicrobial chapters. In terms of the access, we do not have any negotiated certificates for poultry meat and pig meat into the UK market. Likewise, we do not in the EU. Like Australia mentioned earlier in the conversation, there just has not been that interest in exporting.

Q285 **Chair:** The issue for us is that we have done an awful lot of work, especially in the poultry and pig sectors, to reduce the amount of antibiotics we are using. Is that the same in New Zealand?

Dr Kebbell: Yes. The first bit of context is that New Zealand is one of the lowest users of antibiotics globally, particularly in the pastoral sector. We have an antimicrobial strategy action plan, and we are working very closely with the veterinary profession and stakeholders such as the pig industry and poultry industry to reduce that and look for alternative ways of managing animal health.

Q286 **Chair:** Without wishing to cause any diversion between you two Commissioners, that is where we can do work between New Zealand, Australian and ourselves on perhaps—dare I say it, without wishing to be too pompous about it—whether we can help on the microbial situation within Australia, with the pig and poultry meat. There is work that we can all do together.

***Kieran Macdonell*:** It goes on to this conversation we had earlier about the fact that they are not included in the FTA because there is no market access interest in Australia, but that obviously does not mean these issues cannot be discussed in an animal welfare forum—in fact, any forum between our countries—and they are. We are of course interested in learning the things you are doing in poultry and pigs, as perhaps you potentially are in some of the things we are doing in Australia. Just because they are not part of the goods chapter does not mean they are not part of the discussion that can happen.

Chair: I understand there are different climatic conditions and all sorts of things, but it is in all of our interests across the world, is it not, to try to reduce the use of antibiotics? It is going to be a bonus to us all in the end.

Q287 **Kirsty Blackman:** I am going to focus particularly on SPS. Mr Corry, and potentially Dr Kebbell as well, the UK and New Zealand SPS chapters contain provisions for recognising the equivalence in the future of the SPS regime. Are there remaining barriers on agri-food exports from New Zealand that you would like to see the UK revisit using this provision of the recognition of equivalence?

Dr Kebbell: We have a very long history of working on equivalence, primarily when you were a member of the EU, but now separately, as you are outside the EU. We have lot of experience in that regard. In terms of future work, the way the structure works is we empower sanitary committees to come together to evaluate the areas of interest. Given the SPS chapter has not come into force yet, we have not actually had those conversations as yet. Our experience with the EU is there are always issues that both sides want to talk about and to evolve the regulatory systems and minimise barriers to trade.

Q288 **Kirsty Blackman:** Do you see some of this working in a pretty similar way to the EU-New Zealand discussions, perhaps around things like the veterinary agreement that is in place there, which I understand is quite positive?

Dr Kebbell: Yes, absolutely. In terms of the lessons and history of the New Zealand-EU veterinary agreement, it is often held up as the gold standard of SPS agreements. The FTA and the SPS chapter is about expanding what has been working very well into the other areas, such as phytosanitary and other products.

Q289 **Kirsty Blackman:** Mr Brandis, the UK-Australia SPS chapter seems a lot less ambitious than the one that we have with New Zealand. From Australia’s perspective, why do you think the SPS chapter did not go further in that trade agreement?

***George Brandis*:** I will just make the point that these are, as Mr Corry has pointed out, different agreements, and although they have a certain family resemblance, they are different. The SPS chapter in our agreement is the most ambitious SPS chapter that we have ever negotiated with any country other than New Zealand. I am not in a position to get into the minds of the negotiators and say why this was stipulated for, but I think Mr Macdonell might be able to take things a little further.

***Kieran Macdonell*:** I certainly cannot get into the minds of negotiators. You have answered in terms of our position.

Q290 **Kirsty Blackman:** You do not feel like there are lot of things missing that you would like to see in that?

***George Brandis*:** It is our view that there is no insufficiency in the SPS provisions.

Q291 **Kirsty Blackman:** Are there regulatory trade barriers on UK exports that you think may have the opportunity for movement in the future? Are there things that we cannot currently export because we do not have an agreement on equivalence, or where there are SPS barriers, basically, that potentially we could come to some sort of agreement on in the future?

***Bede Corry*:** You are talking about UK exports to Australia and New Zealand.

Kirsty Blackman: UK exports to New Zealand or Australia, yes.

Dr Kebbell: To answer that question, I would come from the perspective that we have been trading with the UK for many years, and we have an established relationship. If there were real SPS barriers of concern, they would have already been worked through, irrespective of the FTA.

We come into this relationship and the new SPS chapter with an open mind, and we are always open to hear from UK stakeholders on any barriers into New Zealand. We come from a science and evidence-based perspective to minimise barriers to trade.

Q292 **Kirsty Blackman:** In the case that we had UK stakeholders and agricultural producers here saying that there was an issue and that there was something that they felt they could not export because of SPS, you would expect the UK to bring that to the table and to discuss that.

Dr Kebbell: Yes, absolutely. That is the power of the SPS chapter.

Q293 **Kirsty Blackman:** Mr Brandis, did you have anything else to add on that?

George Brandis**:** Mr Macdonell might take this one.

Kieran Macdonell**:** I will just reinforce what Dr Kebbell said. I will just make a specific point that specific SPS issues are not actually negotiated as part of the FTA. They really go to the trading relationship we have outside of an FTA context, irrespective. We already have a very good existing official-to-official relationship on SPS issues. That has deepened since the UK has left the EU and we have been able to deal with the UK more directly on that.

The FTA in itself, because of the provisions and the structures that have been put in place, hopefully will deepen that relationship and will help us resolve some of those issues more constructively.

Q294 **Kirsty Blackman:** Just so you have an understanding of why we are asking some of this, some of the evidence that we have heard has said that stakeholders do not feel like the UK negotiating team went far enough in the requests that they made, or in the final trade agreement that was come up with, in terms of batting for our producers. That is why you will have people in this room asking questions of that nature.

Kieran Macdonell**:** I will just say again what I was saying specifically. If there was an issue on one of the commodities, that literally could not be negotiated under an FTA anyway. Specific commodity issues are always negotiated outside of an FTA.

Q295 **Kirsty Blackman:** The agreement with New Zealand has a specific structure, laying out how we would come to some sort of regulatory equivalents on SPS, for example, but the Australia deal lacks that. I appreciate you saying that this is more comprehensive than any of the other ones that Australia has signed, apart from with New Zealand.

George Brandis**:** It is. I just want to underline Mr Macdonell's point that we should not think that a free trade agreement is lacking because it does not cover everything, because there are some subject matters, of which this is evidently one, which are already covered elsewhere and are not suitable to be covered in this form of instrument.

Q296 **Chair:** I have one final question for Commissioner Brandis. You are very conscious of disease on pork, and so you expect pork to be heat-treated before it comes into Australia. Is that not the case? Is this necessary or could it be considered a trade barrier?

Kieran Macdonell: Again, those discussions are outside of an FTA discussion. They are literally bilateral individual SPS issues that need to be worked at officials' level.

Q297 **Chair:** I know it is not included in our free trade agreement, but that could have been one of the reasons why it was not. From your side, would that be fair in saying that?

Kieran Macdonell: We would never negotiate specific market access requests on SPS issues inside of an FTA. That is just not how it happens. The specific rules we have at the moment with access for UK pork are in place for specific, scientifically based biosecurity reasons, but those conversations can continue to happen at official-to-official level if the UK would like to revisit those, without prejudging an outcome of those discussions.

Q298 **Chair:** Commissioner Corry, I remember coming into New Zealand in 2001, when we had the foot and mouth outbreak, and I admitted that I came from a farm in the UK, at which stage I was taken apart, literally, and the luggage, and sprayed all over, if I remember rightly. The point that I would make is that you are very strict, and quite rightly. This is a strange question to ask you, but would you consider that you have tighter rules on allowing imports in and checking them than we have in the UK, and do you feel we should have stronger checks here? It may be slightly counter to your trade agreement. What would your position be on that?

Bede Corry: I will take the cautious road in answering your question.

Chair: I am leading you in a strange direction.

Bede Corry: Thank you very much for acknowledging that. We have arrived at a phytosanitary system that works for New Zealand's particular circumstances, and in particular our isolation as a set of islands, with the enormous role that agriculture, horticulture and viticulture play in our economy. We have a bespoke system. I am sorry that it subjected you to such close scrutiny in 2001.

Chair: I admired what you did, even though I did not particularly enjoy it at the time. I was just making the point that checks and balances on bringing disease into a country are very important.

George Brandis: Australia is in the same position as Mr Corry has said. We are equally very defensive of health and SPS issues. We would never use SPS regulation or quarantine as a non-tariff barrier to trade.

Q299 **Geraint Davies:** Mr Brandis, I will start with you. I am going to talk about the environmental impact of the trade deal. My understanding is that emissions from Australia beef and deforestation will mean, net, the deal will have a negative impact on carbon emissions overall. Would you agree with that, and what are you going to do about it?

George Brandis: When you say a negative effect on carbon emissions, do you mean they will reduce carbon emissions?

Q300 **Geraint Davies:** There will be more carbon emissions as a result of this trade deal because of the higher emissions in Australian beef to UK beef and the contribution of deforestation.

***George Brandis*:** It is not possible to disaggregate particular elements in that way. I can tell you that Australia has committed to the net zero by 2050 target. We have exceeded every carbon emissions reduction commitment that we have ever made. We have recently revised our forecast to 2030, and our trajectory for carbon emissions abatement is much more successful than was initially projected. It is about 34% of 2005 levels by 2030. The initial prediction was 26% to 28%.

We are meeting and beating our commitments. The free trade agreement enshrines our Paris commitments. We have never done that before, but we recommit in this FTA to meeting our Paris commitment, and we are in fact beating Paris commitments. In relation to the beef industry, I have no information for you in relation to the issue of deforestation. Australia is currently going through a phase of reforestation, which is inconsistent with the proposition that there will be a negative impact on carbon emissions abatement.

The FAO has recently listed Australia second in its list of top 10 nations that are engaged in reforestation; according to the FAO, there is an annual net gain in forest area between 2010 and 2020 of 446,000 hectares per year. There is deforestation in Australia. There is also reforestation in Australia, and, according to the United Nations, the average annual amount in the last decade by which reforestation exceeded deforestation was 446,000 hectares per year.

Q301 **Geraint Davies:** That is great, but you would accept, all the same, that, if Australian beef substitutes EU beef, for example, as you mentioned earlier, then obviously the transportation will be a net increase in carbon footprint?

***George Brandis*:** I do not accept that at all. It all depends on the way in which the cargos are configured. There are many different ways in which cargos, including agricultural cargos, can be configured in shipments. We are not in a position to say whether that leads to a net gain or a net loss in relation to carbon emissions abatement.

Q302 **Geraint Davies:** Would you accept that they are actually doing more in the agricultural sector in New Zealand than in Australia to reduce carbon emissions?

***George Brandis*:** I do not accept that, not because I dispute it but because I do not know.

Q303 **Geraint Davies:** I will turn to Mr Corry. What are your comments on the suggestion that the free trade agreement with New Zealand will in fact increase carbon emissions, partly through transportation but generally?

***Bede Corry*:** I am very glad you asked the question. Let me just transit back briefly to what the FTA between New Zealand and the UK does in respect of the environment. Importantly, it affirms the commitments under the UNFCCC and the Paris agreement. It promotes trade in environmentally friendly goods and services that support transition to a low-carbon economy. It makes commitments on environmentally harmful subsidies to help the transition away from fossil fuels and to address inadequate fisheries management. These things are important to us, and we are glad the agreement enshrines them.

I am glad you have raised the question of carbon miles, for want of a better phrase, for two reasons. One is, as in all things, let us let science and empirical data govern judgments, not the other way around. As a general principle, when we think about the conduct of our trade, whether it is to do with SPS, the environment or other contingent factors, claims, in this respect about food sustainability, certifications and standards should be based on principles of robust evidence and transparency. We have been very active internationally to develop common metrics and standards for food sustainability that align with those principles.

Forgive the long prelude, but a recent lifecycle analysis that we have done suggests that the emissions footprint of exported New Zealand dairy and meat products compares very favourably against their domestically produced alternatives in major markets, including when distance to market factors are taken into account. A recent analysis showed that New Zealand land production results in 24.1% less greenhouse gas emissions than land produced in the United Kingdom, 48.7% less emissions for dairy, and 68% less emissions for apples. Those figures include the transport of respective UK and New Zealand products to a UK retailer.

Q304 **Geraint Davies:** Are you doing a lot more than Australia?

***Bede Corry*:** That is a relative judgement that is not for me to make.

Geraint Davies: I thought you were saying a moment ago that it was based on empirical evidence.

***Bede Corry*:** I want to rely on High Commissioner Brandis's comment—that is a subject about which I do not know, so I simply cannot make the judgment. I am not the High Commissioner to Canberra; I am the High Commissioner to London.

Q305 **Geraint Davies:** New Zealand's own national analysis of the free trade agreement states that it does not fully deliver on New Zealand's position on elimination of environmentally harmful subsidies. Can you explain what this means?

***Bede Corry*:** I can, if you will just bear with me briefly.

Geraint Davies: I am just checking what it means and how you could have gone further to reduce environmentally harmful subsidies.

***Bede Corry*:** While we have a high standard outcome on fishery subsidies and a good outcome on fossil fuel subsidies, we were disappointed not to have achieved a comparable result on agricultural subsidies. Let us bear in mind here that FTAs are a matter of give and take. No country gets everything that they want in an agreement.

New Zealand would have liked to have included provisions of article 10, sustainable agriculture, that recognise the environmental harm that many forms of agricultural subsidies cause. We would have liked provisions that committed parties to reform and eliminate environmentally harmful agricultural subsidies, and we would have liked the agreement to have committed parties to co-operate to identify and reform such subsidies. We were, however, able to include an obligation to "take measures and promote efforts to reduce greenhouse gas emissions from agricultural production", which is a promising start, and we look forward to working with the UK to give effect to that.

Q306 **Geraint Davies:** Just so we are clear on what we are talking about here in terms of the environmentally harmful agricultural subsidies, can you give me an example of what we are talking about?

***Bede Corry*:** At a general principle, an environmentally harmful subsidy is a subsidy that encourages the exploitation of a particular resource. Unless Dr Kebbell has a more precise scientific, economic descriptor, it is something that stimulates production beyond the desirable capacity of the given resource.

Q307 **Geraint Davies:** Will there be any commitments on these subsidies that require either country to do more than it is already doing domestically to help the environment?

***Bede Corry*:** On the positive side, to go back to my introductory comments, we are making commitments designed to address subsidies in such a way as to help us transition away from fossil fuels, and in such a way so as to address inadequate fisheries management. We have committed to taking steps in respect of subsidies to achieve those goals.

Q308 **Geraint Davies:** Mr Brandis, if Britain introduces a carbon border tax, which the EU has already introduced, what impact would that have? Would that be consistent with this agreement, and what would be the impact of that? Would we have to pay you back in compensation or something, if we charged an equalisation of carbon footprint tax at the border?

***George Brandis*:** It is not my understanding that that is the policy of your Government.

Geraint Davies: I am asking what would happen if it was.

***George Brandis*:** It is really difficult to speculate on what that would mean. This is not something that is specifically stipulated for in the FTA. The FTA requires both countries, of course, to be observant of each other's domestic laws, and that includes revenue laws. It is really not possible to answer a hypothetical question like that without knowing the design and features of some hypothetical future tax that a future Government might introduce.

Geraint Davies: If we did the same as the EU is doing now with its carbon border tax—

***George Brandis*:** I am not the ambassador to the EU, and I do not have any knowledge of the structure of the EU carbon border adjustment tax. There is not such a tax in this country, I am pleased to say, and therefore I really am not able to assist you. Mr Macdonell wanted to add something to my earlier answer.

***Kieran Macdonell*:** In relation to emissions and red meat, I will just also note that Australia's 2050 net zero target is also supported by our National Farmers' Federation, and our red meat sector has an ambition to be carbon-neutral by 2030 and has in place a very large R&D programme to deliver that to the best of its ability. In Australia, at the moment there are carbon-neutral red meat supply chains. You can go to a restaurant in Australia and buy a carbon-neutral piece of steak. It is the only country in the world where you can do that.

Q309 **Geraint Davies:** Excellent—so, not well done, then. Finally, I will come back to Mr Corry on this issue. Mr Brandis said he was pleased to say there is not a carbon border tax at the moment, but I do not know what your view is on that. If there were one, as they are moving forward in the EU—I do support such a thing in terms of climate change mitigation—what would be the impact on a trade deal with New Zealand, if at all, or what would New Zealand do about it? Would it want compensation?

***Bede Corry*:** It is a question of sufficiently hypothetical quality that I do not think I can answer it. I am very sorry.

Chair: Geraint, we need to leave it there.

Geraint Davies: It sounds like it. I will leave it there, then.

Q310 **Chair:** Before we leave this question, Commissioner Corry, are you commenting that our new future agriculture/environmental subsidies will affect the trade deal, and that we are over-subsidising our farmers? Is that what you are saying? I would argue that our direction of travel now is very environmental and will actually reduce our production. I do not actually see that that is a problem for New Zealand, if I could be so bold.

***Bede Corry*:** The position we would take in this FTA, as we would in respect of any market-opening agreement we conduct, is that any FTA with another country will always, in our view, need to reflect our longstanding position, which supports the elimination of subsidies wherever they are. I am not making a very specific comment about the new variety of agriculture subsidy that now obtains in the UK. That longstanding position of principle has always held that subsidies distort trade, depress investment in environmentally and climate-friendly production, and can slow the transition to sustainable growth and development.

That is a principled position that is agnostic to the particular country with which we are engaging. It is just a position we would normally take into an FTA.

Q311 **Chair:** You could argue that the basic farm payment could be indirectly subsidising production. I can understand that, but I just feel that the direction of travel of UK agriculture support now is one where I cannot see that you should have a huge problem with it. I cannot quite understand why that issue has been raised.

***Bede Corry*:** In our view, where agricultural subsidies do have that deleterious effect on the environment, sustainable growth and development, we should be looking to eliminate them.

Chair: I would argue that we are actually putting that money in to support the environment. We are slightly at cross-purposes here, but a little bit more written evidence on that—anything you can furnish us with as to why that position has been taken—would be quite useful. Thank you very much.

Q312 **Dr Hudson:** High Commissioner Corry has answered a bit of the first part of my question, about the differences between our countries on agricultural subsidies and that side of things. You have put forward your mission statement as to what you think about subsidies. I think you have answered that, but do you recognise that there are differences that our producers in this country are facing in terms of the regulatory framework? There will be a change in the funding system that the Chair has intimated, moving away from the basic payment system now to more environmental deals. There is then the third challenge of new trade deals. Do you guys take on board the challenges facing our UK farming sector?

***Bede Corry*:** Those challenges have been very clearly articulated by stakeholder groups in the United Kingdom; by your Government, in the approach it took to the negotiation of this FTA; by members of this Committee, including your Chair; and in our engagements with the NFU. We are very alive to the sensitivities in the sector.

Q313 **Dr Hudson:** In terms of the pressures and the challenges, we are talking about the funding schemes. One of the broad differences, both in Australia and New Zealand, is that the costs of production are cheaper and the regulatory framework is different. Our farmers are being asked to produce a high-quality product in a different climate, in a different country, but with tighter margins because the costs of production are higher in this country.

High Commissioner Brandis, you talked about protectionism. I do not consider that protectionism. I call it standing up for your sector, standing up for the values and working towards a sustainable environment for that sector. Do you take on board that the cost of production in your two countries is cheaper, and therefore that adds a much greater pressure on our UK farming sector?

George Brandis**:** We understand that, between our two countries, the structure of the industry is very different. Those structural differences reflect a lot of things. They reflect different population distribution, a different topography and a different climate, and they result in different farming systems. Equally, the United Kingdom is a lot closer to the markets into which you sell than we are to the markets into which you sell, for the purpose of considering this free trade agreement. This is not a unidirectional structural difference.

As Mr Corry has said, those differences were of course taken into account by those who negotiated these agreements on behalf of your Government, and the judgment they made, and where they landed, was to form a view that the benefit to the UK economy was sufficiently attractive that these were good agreements to conclude. In sensitivity to the sectors, as I said before, that felt more vulnerable and exposed, they were cushioned by unusually long, stepped implementation and safeguards periods.

Dr Hudson: I will respectfully differ from you and the UK Government as to where they landed. I do not think they landed in the right place, and I do not think that the cushions that they put in place were big enough to protect and safeguard some of our sectors. That is why many of us have been calling for stronger safeguards. I guess we have to respectfully disagree on that.

Q314 **Kirsty Blackman:** I fear this might require too big an answer; if it does, a brief answer would be fine. Mr Corry, moving out from FTAs slightly and looking at your ambition to remove subsidies from agriculture, we deal with agriculture here by a mixture of carrots and sticks. There is regulation in place, but there are also subsidies in place in order to encourage group behaviour. How do you manage agricultural regulation without the carrots, or are there just different carrots, if you see what I mean?

Bede Corry**:** You are right; it is a very big question. Let me answer it in an instinctive way. One very significant carrot—I will repeat a point I made earlier—is sophisticated producers in New Zealand knowing that consumers around the world increasingly want verifiably sustainably produced high-quality products. That is a very significant incentive for a producer. As I say, that is an instinctive answer to the question. I do not know whether there are other carrots Dr Kebbell would like to put on the table.

Dr Kebbell: We can only feed 40 million people globally. The question is about who we want to feed. We do not want to be feeding people who cannot afford our product. We want to be aiming for the top echelon, people who can afford high-quality, sustainable product. The market is driving our producers in New Zealand to deliver to the consumers’ expectation, irrespective of what the Government are doing. In New Zealand, we work very closely with Government and industry to ensure that our reputation and our quality is achieved.

Q315 **Chair:** That leads very nicely into a question I have. Export promotion is one of the most important aspects of developing new markets. Would you both like to outline quickly your country's approach to export production? We could have a lot to learn about getting out into those markets. Because we have a very large population to feed, over the years we have perhaps neglected export, and as we import more, I suggest we probably need to export more. I know, Mr Kebbell, you have been in here before to give us advice. What would be your advice on that?

***Bede Corry*:** One in four jobs in New Zealand comes from exports. The Government have a population of over just over 5 million people. We are never going to get rich selling to ourselves. For many years, through a dedicated New Zealand agency, called New Zealand Trade and Enterprise, we have fostered exporters, both in New Zealand and offshore, working with companies to learn about the exigencies of particular markets and helping companies make connections abroad. I know there is a very similar body in Australia that does the same thing.

For the purpose of this discussion, though, I would simply add that, in respect of agricultural trade, for probably the last 10 to 15 years we have developed an offshore network of cloned Dr Kebbells. How many countries would you say that was in?

Dr Kebbell: We have about 18.

Chair: You have 18 clones? That is terrible.

***Bede Corry*:** Those positions are of particular use to our primary sector because of their deep knowledge of SPS regimes, animal welfare, how to negotiate regulations in the OIE or in the FAO and so on and so forth. In other words, we have a generic trade promotion body, and we have a bespoke network of cloned Dr Kebbells, who in particular assist farmers.

Q316 **Chair:** This is one of the issues for us. If we are going to open up markets, especially perhaps in the Middle East, the Far East or wherever, we do need to be able to deal with the phytosanitary issues and all of those issues. Countries may throw up things that may be, on the face of it, about animal health and welfare, but it could also be a trade barrier as well. It is how we eliminate those. We can learn a lot from what you are doing. Is it the same with Australia?

***George Brandis*:** It is largely similar. Might I say, in the last few minutes of the Committee's deliberations this afternoon, I am really delighted that we are talking about the opportunities for British exports rather than the threats of Australia or New Zealand imports, because that is what this free trade agreement is all about.

Chair: We are going to send you lots of great cheeses. You wait—they are coming.

George Brandis: We cannot wait, but we will have to wait for five years because our cheese producers feel very threatened by your excellent cheese producers. The Australian structure is similar to the New Zealand one. We have a statutory corporation called Australian Trade and Investment Commission—Austrade—that fulfils a similar role generally. Within our Department of Agriculture, we have 22 agriculture councillors. I will not say they are clones of Mr Macdonell. You met Mr Macdonell's predecessor, Mr Smalley, and I do not think you would say they were clones, except in terms of like-mindedness about the benefits of vigorous and free agricultural trade. We do promote, explain and encourage the promotion of Australian exports, agricultural exports, and find market opportunities.

It is my recollection that your former Secretary of State for International Trade, Ms Truss, announced some time early last year the creation of such a structure within the UK Government. I would encourage that. It works well for Australia. As the United Kingdom becomes more focused beyond the Euro-Atlantic in its trade aspirations, and as it exceeds the CPTPP in particular, it would be wise to elevate the level of investment in trade promotion, particularly in agriculture.

Chair: I assure you we are working on it. We have eight clones, in Chris's case, but we need 80 at least, and more. We have a lot of work to do, but it is going in the right direction. It is very positive, where we have a very good, high-quality product, not only into Australia and New Zealand, but in the whole of the world, because there are a lot of markets there, and probably lamb into America as well in particular.

Q317 **Geraint Davies:** We have dwelt on the opportunities for Australia and New Zealand in the trade deal. Can you just outline, from where you are sitting, the benefits in terms of UK producers? You mentioned that our cheese producers will have to wait five years, but we do not have anything on pork or chicken. Where is the upside for British agriculture in the Australian deal, Mr Brandis?

George Brandis: In the end, it is all upside, in my view, because, in the long run, free trade, whether it be an agricultural product or in other sectors of the economy, is beneficial to both. That has been the experience of Australia, which has been engaged in free trade agreements, initially with New Zealand in the 1980s, and much more vigorously so in the last 20 years, with the United States, China, Japan and South Korea, with nations within ASEAN and so on. Ultimately, everyone is a winner here, but, in the transition phase, in which some elements of your agricultural sector will need to reconfigure their businesses to be more export-oriented, there will need to be a degree of pushing and protection in the short term.

In the short term, you can build upon, particularly in the processed foods and beverages section, what is already a very strong position of exporting into Australia. If I may say so, do not underestimate the very high reputation that British food and British processed food has in Australia, and I am sure it is the case elsewhere in the world. Whenever I go to NFU conferences, and I did very recently, I note the claim that is made: that British farmers produce to a very high quality the best food in the world. They do. If you have a product that claims to be the best in the world and you build a reputation, as you have, certainly, in my country, for quality product, why is there not upside in being much more ambitious in marketing that product around the world?

Q318 **Geraint Davies:** Do we have bigger quotas in these areas, such as pork? Where is the quantitative upside?

***George Brandis*:** I do not have any information for you about pork.

Q319 **Geraint Davies:** Can I ask Mr Corry the same question? Is it just other non-agricultural sectors that are gaining?

***Bede Corry*:** Let me give two slightly different angles on the answer. The first is that the FTA with New Zealand should advantage British manufacturers, whether they are people who make buses and send them to New Zealand, or IT providers, textile producers, whisky producers or financial services; they will will benefit from the FTA. The other way in which the United Kingdom will benefit from the FTA with New Zealand and with Australia, which is something we have not perhaps spent much time on this afternoon, is access to CPTPP, because those two agreements help very significantly pave the way to UK accession towards CPTPP, which will, among other things, give your farmers access to one of the biggest meat-consuming markets in the world by virtue of CPTPP membership.

Q320 **Chair:** I have one very final question. We feel that, compared to what the UK Government have been doing when we negotiate our deals, we have not really engaged enough with stakeholders during the negotiations. I would like to ask you both very quickly, both from Australia and New Zealand, how you engage your agri-food industry and your industries across the piece as you do the trade deal. We feel that our industries have not been engaged with enough.

***George Brandis*:** Without commenting on your criticism of the Government, I can tell you what we do in Australia. We engage directly with stakeholder groups, industry associations, the Australian analogue of the NFU, which is the National Farmers' Federation, and the subgroups within it. Our negotiators, in the course of running these negotiations, are always in touch with industry leaders and with chambers of commerce, like the Australia-United Kingdom Chamber of Commerce, in particular, which had a very proactive role in these negotiations, to ensure that they were well informed about the industry's expectations and any potential pitfalls. The industry was not around the negotiating table, but it was in the room next door.

***Bede Corry*:** In New Zealand, it is a mature model. It goes back to the point I made before about the importance of trade in New Zealand. We have been in the trade negotiations game, as High Commissioner Brandis just mentioned, for well over 40 years. We have a well-developed model; nonetheless, there has been a view that it could have undergone some improvement, and indeed it has in recent years, to be more inclusive in its reach.

The Government are determined, with regard to a particular trade negotiation, that all stakeholders are engaged and in the tent, whether that is business, pig bodies, agriculture groups, unions or Māori, the indigenous people of New Zealand—it is very important that we have a dedicated consultation channel there—and also the regions, because we are determined that trade should benefit the whole of society in New Zealand.

We also have a regular structured meeting with a core group of agriculture industry stakeholders. Our trained negotiators meet them and update them on not just a particular FTA negotiation, but progress on FTA negotiations around the world. A relationship of trust has developed, and so these discussions are able to be very frank and open. It gives our agriculture industry an excellent grasp of the issues, including of other countries' sensitivities in those areas where we have offensive interests.

Chair: High Commissioner Brandis, High Commissioner Corry, Mr Kebbell and Mr Macdonell, it has been a great session this afternoon. You must remember that we are the Environment, Food and Rural Affairs Select Committee, so we will ask you tough questions on how it affects farming and food production in this country. Thank you very much for your straightforward answers.

Our countries have so much in common, so there is a great need for a trade deal. You can always expect us in this Committee to have, shall we say, some reservations. Today we have had a really good discussion about it. I hope that we can build on these trade deals and make them work. I think we will. We can build on animal welfare across this country and across your two countries as well, because we have so much shared history, which is great. In a difficult and horrendous situation, with Russia attacking Ukraine, and the situation in China as well as others, it is absolutely essential that the western world pulls together. We appreciate the help from both your countries in this, and we look forward to supporting you in the future. Thank you, all four of you, for coming this afternoon.