

International Agreements Committee

Corrected oral evidence: UK-New Zealand trade negotiations

This session covered three different topics: general questions on trade negotiations, the UK-Australia negotiations, and the UK-New Zealand negotiations. We have therefore published these as separate transcripts. You can access the [general questions](#) and the [Australia transcripts](#) on our website.

Wednesday 27 April 2022

11 am

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Members present: Baroness Hayter of Kentish Town (The Chair); Lord Gold; Lord Lansley; Baroness Liddell of Coatdyke; Lord Morris of Aberavon; Lord Oates; Lord Razzall; Earl of Sandwich; Lord Udney-Lister.

Evidence Session No. 4

Heard in Public

Questions 45 - 56

Witnesses

I: Lord Grimstone of Boscobel, Minister for Investment jointly at the Department for International Trade and the Department for Business, Energy & Industrial Strategy; Matthew Davies, Deputy Director, Chief Negotiator, New Zealand FTA, at the Department for International Trade; Ian Shepherd, Policy Director, Goods, Regulatory Environment and Gulf Cooperation Council at the Department for International Trade.

The Chair: Thank you. That brings us very nicely to Lord Udney-Lister, who is going to press you particularly on New Zealand.

Lord Udney-Lister: Yes. Let us change countries and talk about New Zealand. It is a great deal that you have done, but what are the major successes and trade-offs of the agreement? It would be helpful for us if you gave us your top list of achievements.

Lord Grimstone of Boscobel: Yes, certainly, and thank you for the question. It is always nice to be asked to start with achievements. It is not always the way we look at these things, but I welcome that.

Let me just pick out some plums from the pudding. We agreed the consumer protection chapter, and that is the first of its kind in any of our independent trade deals. That enshrines protections for both the UK and New Zealand consumers buying goods and services in each other's markets. We were able to push the New Zealanders, who are very able negotiators on trade agreements, to go beyond their precedent in several key areas, including: the extension of copyright protection; the introduction of artist resale rights provision; and significant changes to their domestic regime that will bring real benefits to the UK. New Zealand has taken commitments on contractual service suppliers for the first time ever, which will allow UK businesspersons such as lawyers, accountants and financial service providers to deliver service contracts in New Zealand. It includes a ground-breaking environment chapter—we heard a little about this earlier—that reinforces our commitment to the Paris Agreement and our efforts to meet net zero. It liberalises tariffs on the largest ever list of environmental goods in any FTA to date, and I believe that this will encourage trade and investment in low-carbon services and technology.

Madam Chair, it is not often I am allowed to set out our successes in this way, but I welcome the chance of having been able to do that.

Lord Udney-Lister: Could I push you a little bit on trade-offs?

Lord Grimstone of Boscobel: Yes. Again, there is the horrible phrase win-win. It has been widely recognised the agreement does bring significant benefits for the UK and New Zealand. If you can liberalise trade it works for all parties: it brings higher wages, economic growth and benefits for consumers. Of course, we listened to and heard very loudly the concerns of UK farmers in terms of them believing that we had made trade-offs to their detriment, which is why we did secure robust protections, including: the staging of tariff liberalisations for sensitive goods over time; TRQs and product-specific safeguards on the most sensitive goods, such as beef and sheepmeat; as well as, of course, a general bilateral safeguard mechanism for all products. The whole nature of these agreements is that they have trade-offs baked into them. It is not easy to go through them and underline this one and say, "This is a success. This is a failure. This is a trade-off." I encourage people to look at this in the round.

The Chair: I will move to Lord Gold.

Lord Gold: Thank you, Madam Chair. Good morning, Minister. I want to also carry on with New Zealand and talk about services. Could you kindly outline how the agreement benefits the provision of services from the UK into New Zealand, particularly professional and financial services? I know there is some movement on recognition of qualifications, but is there anything more that could be done? For

example, I know the Australian agreement contains a financial services regulatory dialogue, but we do not have that with New Zealand. You know from discussions we have had before that I am very keen to push the services side of things, which I think gives us tremendous benefit.

Lord Grimstone of Boscobel: I am completely on the same page as you, and you and I perhaps particularly recognise that service firms are vital to the UK economy. It is always an extraordinary statistic that service firms employ 82% of our workforce and are one of our biggest export success stories. I will paint some pictures and then, if I may, I will turn to Matt to give a bit more detail on services.

What we have been able to do is provide long term certainty and transparency for service suppliers exporting to and operating in New Zealand. We have guaranteed them access to the New Zealand market and it will allow professional businesses such as architects, law, financial services and shipping to compete on equal terms in New Zealand. As ever, in both the agreements, we have not, as we would not in the UK, given overseas lawyers access to practising domestic law, but other than that, we have given certainty to our legal profession that it can practise there and I have heard from a number of law firms that this will be of benefit to them.

Frankly, our relationships with New Zealand are so strong on financial services, and it is so easy for UK firms and New Zealand firms to operate in each other's markets, it was not thought to be a priority to ask for regulatory dialogue; not because they would not give it to us, but it was not necessary. Australia is a larger market, so perhaps a balance of advantage sat there a bit differently. Matt, do you want to give a few more service examples?

Matthew Davies: Yes. Building on what the Minister has picked up on, there were two objectives in the services negotiations. One was to lock in the access that exists already between the two countries. Both New Zealand and the UK are very open services economies, but by putting into the text provisions and commitments that are at least as good as, and in many cases better than, CPTPP, we locked in national treatments, prohibition of performance requirements for investments—for example, we got New Zealand to raise its investment threshold for screening of investment from £100 million to £200 million—so locking in a stable trading relationship.

In other areas, we have opened up additional market access and secured facilitative arrangements. The mobility commitments that we got New Zealand to take were very important in that respect. It is the first time it has ever taken contractual service supply commitments—commitments that allow UK companies to win a supply of a service contract and then send people over to New Zealand deliver it. It took a range of other mobility commitments. The digital commitments were particularly important, both across mainstream digital provision but also in financial services, including it committing to prohibit unjustified data localisation, so not being allowed to

require that you set up a data hub in New Zealand to do business there. That is one of the things that service companies tell us is actually quite prohibitive to investing. There are also other e-commerce provisions.

There is quite a lot across the agreement where we really tried to push the boundaries. Just to build on the Minister's comments on financial services: yes, for all the reasons he outlined, we did not seek that dialogue, but we did seek a very ambitious financial services chapter as well. This has equalled the UK's best precedent in terms of financial services commitments, and it has pushed New Zealand a long way beyond where it has gone before. As well as the data localisation commitments I spoke about, we have secured markets at market access commitments around provision of large insurance and portfolio management and other things, and, although we do not have a regulatory dialogue, we have built provisions into the financial services chapter for continuing dialogue on new financial instruments, for example, entering the New Zealand and UK markets, and also sustainability and green finance. We think there is an avenue there to continue the conversation with New Zealand on financial markets.

Lord Gold: I am pleased that I have given you the opportunity of saying how well you have done.

Lord Grimstone of Boscobel: It is always a pleasure.

The Chair: We are getting to the end of our session. We have two more questions. If I could go to Lord Lansley and then I have one other question.

Lord Lansley: Thank you very much. We were told previously that there was a legislative requirement arising from the FTA with Australia, I do not know whether that is equally true with New Zealand, and that related to public procurement; is that the only legislative requirement? There is a general procurement Bill anticipated; will it be included in that? Is there an intention to create a delegated power for the future in relation to future FTAs, or will they all be treated separately?

Lord Grimstone of Boscobel: Thank you for that. It would not be appropriate for me to pre-empt the Queen's Speech in this area, obviously, but there will be a need for primary legislation on the procurement side in relation to both the Australia and the New Zealand FTAs. It will be quite a tightly drawn requirement to do that, and, if we want to ratify this agreement, which we surely will do at some point provided it gets through the CRaG process successfully, there will need to be primary legislation to do that. I do not think it would be appropriate for me to comment on the exact vehicle through which that will be done—not this week, anyway.

Q1 The Chair: Just to wind up, can I go back, in a sense, to the generality of trade? You know very well that the committee has asked that there is a strategy, that we know what it is you are trying to achieve by trade. In answer to Lord Oates's question, you referred to "our underlying objectives", which sort of suggests that there is an underlying strategy that you are then

using on the trade agreements. Now, at the moment you are having discussions with America that we started with, where Biden has set out his quite clear strategy for trade, and Ambassador Tai has set out what they are trying to achieve, which strengthens what we are asking. We ought to know in the round what you are trying to achieve. I just wonder whether those discussions are coming closer to fruition, because it would help us measure your, I am sure, very good negotiating if we knew what it was in the whole you are trying to achieve. Is there some prospect of seeing that sort of strategy?

Lord Grimstone of Boscobel: For those who do not sleep well at night, you can find something about this by reading the DIT's outcome delivery plan—the ODP—which sets out our general objectives in this area. Perhaps to pre-empt any excitement on behalf of the committee, I would not say that it is necessarily the most thrilling or the most insightful read, but the strategy actually can be put quite simply: it is to encourage more trade, to encourage more good trade, and to encourage many of the matters that we have spoken about today. As the Secretary of State noted in a speech to the CPS, we are not great believers in, I think she described it as, "Weighty strategic tomes gathering dust". This strategy needs to be agile, and it needs to change with time, but the thrust of the strategy is more trade, more trade agreements and more progress in this area. The nearest we have to it is in the outcome delivery plan. If any committee member would like me to send them the internet link so they can access the plan, of course I would be delighted to do that.

The Chair: I hope we will be able to have a debate sometime in the Chamber on this but it may be that there will be people thinking of it within the context of green trade or what the Americans called worker-centric trade or human rights-aware trade, which might be a useful way of describing, I hope, what you are seeking to achieve—and not just more trade at any price. That is a personal view; we have not come to a view on it on the committee.

Lord Grimstone of Boscobel: I could not have put it better myself. All those aspects are absolutely part of our trade strategy.

The Chair: I thank you and your colleagues for your time today, Minister, and we welcome how very open you always are with us. Sometimes we would like you to give a few more commitments than we can get out of you, but short of that, I thank you and your colleagues very much for your time.

Lord Grimstone of Boscobel: I thank you as ever for the courtesy and for the incisiveness of the questions which the committee has asked. I have to spend a lot of time revising for these committees because I know it is never an easy appearance when I appear before you but thank you again for inviting me.

The Chair: Thank you. That ends the public hearing today.

