

International Trade Committee

Oral evidence: UK trade negotiations: Agreement with New Zealand, HC 78

Wednesday 18 May 2022

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Members present: Mark Garnier (Chair); Paul Girvan; Tony Lloyd; Anthony Mangnall; Lloyd Russell-Moyle; Martin Vickers; Mick Whitley; Mike Wood.

Questions 1 to 29

Witnesses

I: Professor Andrew Lang, Chair in International Law and Global Governance, Edinburgh School of Law; Lucy Monks, Head of International Affairs, Federation of Small Businesses; Catherine Brims, International Policy Adviser, The Law Society; Chris Southworth, Secretary-General, International Chamber of Commerce United Kingdom.



Examination of witnesses

Witnesses: Andrew Lang, Lucy Monks, Catherine Brims and Chris Southworth.

Chair: Good morning to everybody. Today we are taking evidence for our inquiry into the UK-New Zealand free trade agreement, particularly looking at trade in goods and services. The first panel is going to be covering trade in services provisions. We will hear from a number of witnesses who we can ask to give their name, rank and serial number in a minute. In the second session we will be covering manufactured goods. Perhaps the panel can introduce themselves.

Catherine Brims: My name is Catherine Brims. I am an international policy adviser with the Law Society of England and Wales.

Lucy Monks: I am Lucy Monks. I am head of international affairs at the Federation of Small Businesses, representing 5.5 million small, medium and self-employed people.

Chris Southworth: Good morning. I am Chris Southworth, secretary-general of the International Chamber of Commerce here in the UK.

Professor Lang: Good morning. I am Andrew Lang. I am a professor of law at Edinburgh Law School.

Q1 **Chair:** Thank you all very much indeed. New Zealand is our 54th biggest trading partner, and in services is our 50th biggest trading partner. Is this trade deal going to make much difference to the UK's economy?

Catherine Brims: The Law Society believes that this is a very good deal for UK services and for exporters. For legal services in particular there are three core benefits. First, the agreement contains a provision specific to legal services, and this is in annexe 9(a). We welcome this as a recognition of the importance of services, and legal services, as a facilitator of global trade. You certainly cannot have trade without law and without lawyers. In this respect it is a very significant recognition in this agreement, and one that we would welcome in further agreements.

Secondly, there are many reasons why businesses and clients internationally might choose to operate using English law, and as a result there are a number of solicitors of England and Wales who operate internationally, for example in New Zealand, offering English law services to clients and businesses over there. This type of practice, where you advise in your home country law in another country, is called home title practice. This right is safeguarded in this agreement. This is significant, not because it is new—New Zealand has always recognised the right to home title practice—but because it is a renewed commitment and it sets precedent for the UK going forward. We would welcome this in future trade agreements that the UK may enter into.



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Finally, there are provisions that propose a new route for business travellers. Mobility options are significant for lawyers as well. Many lawyers provide services on a fly-in, fly-out basis. Now, while we are monitoring how this will be implemented in domestic law, it has the potential to have great benefits as well.

Q2 Chair: In the grand scheme of things, we are talking about services exports worth less than £1 billion every year. Is this more relevant as a model that we can then take on to other free trade agreements? I can see some enthusiastic nodding on the screens. Is that more relevant on this than the actual benefit it is going to gain by doing services exports to New Zealand?

Catherine Brims: There are two answers to that. As I said, legal services is a facilitator, so, while its numbers might be, in aggregate, very hard to quantify, it is a facilitator. Without smoother trade in legal services, you will not see that trade grow. It is important as well for its precedence, for its continuity, and for the recognition that it gives to the legal services sector.

Q3 Chair: Chris, your head was probably nodding the most enthusiastically on that. In and of itself it is not a huge trading partner, but you seem enthusiastic about this concept that it could be a good model for future trade deals.

Chris Southworth: We have to look at this in context. It is one of the first batch of agreements from the UK with overseas countries, and that is important. It is an indication of what the UK can do in terms of its positive impacts on trade relations. That is important. It also sets precedents. Trade agreements are all about setting precedents that can be built on in the future and how they can then influence other countries. That is the context in which we have to look at it.

In terms of UK services exports to New Zealand, 40% of those are digital services, and 80% of the UK economy is services. It is a small proportion in the grand scheme of things, but it is actually really important. There are some excellent digital provisions, which I hope we will come to in the conversation, that are game changing, and we are now starting to see that get replicated in all UK trade agreements. That is a global game changer for the world as much as it is for the UK.

We should look at this in a positive light. We are obviously dealing with a like-minded country so it was always going to be easier than it will certainly be with some of the bigger economies elsewhere around the world, but it is a great step forward and should give the services economy some confidence in where the UK is going in direction on its FTA approach.

Lucy Monks: The FTA is a really positive step. There are a couple of things where you might look at those broader numbers and impacts on the UK economy and go, "Well, those are quite minimal", but there are a



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lot of reasons why UK small businesses might focus on New Zealand as a territory where they might want to do business in the future. We surveyed our members a few years ago, and about a quarter of them said that it was important to their future export plans, which is not insignificant.

The FTA does contain a lot of provisions that would be useful for small businesses. There is a dedicated small business chapter, which the FSB has been pushing for for a long time, because historically FTAs have not been great at picking up the nuances that affect small businesses. There has been a lot of progress there.

The big thing for us is how this is implemented. Small businesses face slightly different barriers to access, so we want to work with Government to ensure that the way the deal is implemented actually makes sense and works to supply the information and support that small businesses need. That is applicable to both goods and services.

Chair: Again, it forms a very good template for future trade deals.

Lucy Monks: Yes, it absolutely does.

Q4 **Anthony Mangnall:** Lucy, you just mentioned the point about nuances for small businesses around free trade agreements. Could you just expand a little bit on that, how they are looking at free trade agreements, and what you are advising them at the moment in terms of New Zealand?

Lucy Monks: Obviously it depends on the kind of small business that we are talking about. Provisions around professional qualifications are really useful for particular professional service sectors. More broadly, provisions around data have been really useful. The small business chapter has been incredibly useful. There are a group of small businesses that are already doing business in New Zealand, where actually just bringing down those barriers is going to help them be able to work in those territories more easily. That is maybe where the digital provisions are set out a little bit more.

You are talking about the small business chapter, which is more about opening up those markets to people who may be sitting down at their computer for the first time and going, "Actually, what can I do in New Zealand? What business can I do with other businesses in New Zealand? How can I open up those supply chains?"

Q5 **Anthony Mangnall:** It is nice to have and important to have, but is there also a case that it is such a small market that, if we come back and meet in a year's time or two years' time, we are not likely to see a difference?

Lucy Monks: It depends. If you are sitting there as a small business and you are thinking, "Actually, there have to be other opportunities out there for me in the world", if the FTA is implemented correctly, we could have a situation where you can go, "I can find the information. I understand the



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legal system and the legal process. I can actually go to New Zealand much more easily than I could have before". That is going to make a huge difference. It might seem like a few hours, but for a small business a few hours is quite expensive. It is a few thousand pounds to travel, get visas and whatever else. This adds up.

Q6 **Anthony Mangnall:** From your perspective and to your membership as well, is there a sense that it is improving? If you were to take Australia as an example and the trade agreement we have there, are the terms in that better or worse? Are New Zealand's better or worse than the previous deal, or are they exactly the same?

Lucy Monks: They are broadly pretty similar.

Anthony Mangnall: Fine. I was just wondering if you had any suggested improvements.

Lucy Monks: There are some issues around mobility we would want to see fixed. As I mentioned, FTAs have historically tended to take a large business approach to dealing with it, so some of the mobility provisions could be improved for us. At the moment some of the mobility provisions lower the barriers for people who are accessing New Zealand through intra-corporate transfers, which obviously depends on your business being global and having different offices. That is not the same for small businesses.

People providing services into New Zealand for a different company still face economic means testing, which basically means that the barriers are still in place. How far that affects you depends on what kind of service you are providing or your skillset, but essentially it does not make it any easier for small businesses to access those services.

The thing that will probably come up during these sessions is that provision of goods and services is not always the most useful delineation of how services are provided. People might export a machine and then provide the services to look after it. Over the long term that means you have to keep being able to access that market.

Q7 **Anthony Mangnall:** Can I bring in Chris and ask a similar question in that sort of vein? What else do businesses need in order to be able to take advantage of this free trade agreement?

Chris Southworth: There are two angles to it. Every country struggles, when it agrees a trade agreement, with the implementation and how to drive participation through that free trade agreement corridor. The UK is no different in that regard, and that is particularly so on digital, because it is not the same as the way we have traded. It is about a new way of trading and how you then optimise on that.

I see it in two ways. First of all, we are now moving into a space where we need to understand these corridors much better from the industry side. There is a challenge for industry, particularly on the skills, that we



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understand the agreement, understand the provisions, and then understand how to implement that within our respective industries and sectors.

Then how do we go out to the market as both Government and industry, working together to promote awareness that there is an agreement in place: "This is the benefit that it can provide you and, all importantly, this is how you can then optimise on that trade agreement"? That is the big challenge, particularly with FTAs. There is a notoriously low participation in FTAs. I was recently in Singapore. They have a great agreement with Australia but no one is using it. That is partly because there is a need for a stronger partnership on the ground with industry to say, "This is the opportunity. Let us get using the corridor". That is where I see the two challenges: skills and implementation.

Q8 Anthony Mangnall: Again, it comes to this point that we have it but we might not use it. In your view, what is the most effective way of trying to promote and implement the benefits of a free trade agreement with businesses? Is it Government or private?

Chris Southworth: It is partnership. It has to be partnership. Government cannot do it on their own and industry cannot do it on its own. We need to send a strong message to the market as to what this market opportunity is and how to make the most of that opportunity. There is some great activity going on. DIT is putting out some great messaging, but we have to keep at it and be persistent. This is new for a lot of companies. New Zealand is a long way away. It needs very practical input on the ground where companies are actually based, to help walk them through what that opportunity is and how to maximise it.

Q9 Chair: If I could follow up and maybe bring Andrew in on this, in any practical sense one of the advantages of services is that you can provide them online in exactly the same way that you are giving evidence to us. You could potentially do that via the internet. Do you think in any practical sense there is actually going to be a significant increase in our trade in services with New Zealand? At the end of the day, two things drive trade. One of them is proximity and the other is similarity of customer. We have a great deal of similarity, but on the proximity piece they could not be further away. Andrew, what do you think?

Professor Lang: I echo some of the comments from earlier speakers. It is no surprise that the direct economic gains for the UK are likely to be small, but the significance of the agreement is broader. There are three larger elements to that significance. First, what has not been mentioned yet is that it is a stepping stone to accession to the CPTPP, which is a strategic priority for the UK.

Secondly, as one of the UK's very early new FTAs it sends some signals to future partners about the UK's ambition, priorities and red lines. It is a very important signalling device in that respect.



Thirdly, both the UK and New Zealand are looking to innovate in relation to their FTA practice. We see a few novel provisions here and there throughout the agreement, which have the potential to act as exemplars. Specifically around the digital chapter, which the question addressed, it is overall a strong chapter and it does act as an exemplar. I will say a couple of things.

One is that there were some very specific dynamics around New Zealand domestic politics and the Waitangi Tribunal, which we can talk about, that affected the content of the digital chapter. It is a recognisably strong new generation digital trade chapter, but there are one or two things missing that reflect those specific dynamics, source code provision and so on, which we can talk about.

In terms of a template for the future, I would view Australia and New Zealand together as the template, rather than focusing specifically on New Zealand. As I say, in direct response to that question, the significance of this, as was mentioned before, is largely around trade policy strategy, signalling and building up a larger suite of agreements, rather than direct commercial significance across the board.

Chair: That is really helpful.

Q10 Martin Vickers: It has been suggested that the regulatory and other dialogues under the agreement would be useless if they were to meet once a year and just go over a few talking points, but they could be very successful if politicians and officials take a more positive approach. Andrew, what are your thoughts on that?

Professor Lang: As you say, a key aspect of new generation FTAs is that they tend to establish a framework for deeper, and more comprehensive and dynamic, regulatory co-operation, building a committee structure, regular meetings and ongoing dialogues. The New Zealand agreement does this to some extent, but to a lesser extent than the Australian agreement. Specifically in relation to financial services, the Australian agreement sets up a joint financial regulatory forum and so on.

The New Zealand agreement does not have an equally developed annexe. It has a financial services working group. It has a cross-cutting regulatory co-operation chapter, and in the digital chapter it has general obligations regarding co-operation and sharing best practice, but less by way of a formal institutional structure. I would just make three quick comments on that.

To some extent, I see the reasons in this for the UK. It makes sense to have deeper and stronger co-operation with, say, Australian negotiators rather than New Zealand negotiators to prioritise larger markets, but it is perfectly possible to pursue regulatory co-operation outside a formal FTA framework. It is just more difficult to build the initiative and the momentum. Regulatory co-operation arrangements in new generation



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free trade agreements are potentially a very important part of the UK's trade strategy. There is a case for more of that.

There is a framework of sorts within the New Zealand agreement. It could be stronger, but this can be pursued outside a formal framework within the FTA.

Q11 **Martin Vickers:** Do you get the feeling that the officials and politicians you have been involved with are taking a positive approach to that?

Professor Lang: Yes. There is a real recognition within the sectors I am familiar with that regulatory co-operation initiatives can be very powerful in the right context. It is important to build enabling structures which may or may not be used at any time, but which can be activated when needed. Having a full suite of these sorts of institutional arrangements is a really important part of the UK strategy, particularly in relation to digital and financial services, which I have been asked to focus on in this session. It is very important there.

Catherine Brims: I echo a lot of Andrew's optimism. Within the agreement is the legal services regulatory dialogue. This is an innovative way to deal with a number of behind-the-border barriers. Many, if not most, of the barriers that legal services providers face are behind the border. This means that they are covered by domestic legislation, so licensing, qualification, recognition. The legal services regulatory dialogue is very helpful in this respect, as it will bring together the relevant bodies to have a discussion, to address these issues, and to collaborate and co-operate on other issues that may face the profession more widely.

We very much welcome the legal services regulatory dialogue, and we would definitely welcome it in future trade agreements. It is a useful template going forward. The only caveat is that they need to be well resourced, and in that sense the New Zealand legal services regulatory dialogue does not yet have a set timeframe for reporting. The inaugural meeting could take place at any time in the next two years. In that respect, we would advocate for the Government to adequately resource the dialogue in order that it can report and be the best that it can be.

Q12 **Mike Wood:** Looking at the provisions on temporary entry for businesspeople, how useful do you expect this to be for UK businesses? Are there any areas that you think further dialogue beyond the FTA ought to focus on?

Lucy Monks: I mentioned one of the areas where there could be an extension that would be particularly beneficial for small businesses, which is around contractual service suppliers. This also applies to independent professionals. Those are the small business people and operations that we are going to move forward with. Those are the two areas we really want to see some progress on.

Another area we have suggested is that we are opening up the potential for temporary visas to exist between New Zealand and the UK. There is a



potential of looking at whether we can make the process of moving from temporary visas to skilled worker visas in the UK easier, on the basis that we have a skill shortage in the UK across many professions. Businesses might invest training and development of people across a couple of years. If businesses can identify and retain talent, that will be a big boon to the UK's economy.

Catherine Brims: If I just build on that, as I said before, mobility is very important for lawyers, particularly those who are providing fly-in, fly-out services, staying in a jurisdiction for a certain amount of time to provide advice for a client. In principle, provisions for business traveller mobility would be very helpful for the legal profession. We will continue to monitor this in terms of how it will actually be implemented into domestic law.

I know we discussed the potential for digital starting to intrude on meetings, where you can do it over Zoom instead. However, that is not always easy, particularly for New Zealand. It is far, far away, as was said earlier, so there is some benefit in being able to fly into that market to meet with your clients and to be able to sort out a case.

Q13 **Mike Wood:** We have seen with the Australian FTA that there are further improvements on youth mobility provisions. Those are not in this free trade agreement, although the two sides have committed to further dialogue to explore it. How significant do you think that is for both businesses and young people?

Lucy Monks: We welcome further discussion around the youth mobility schemes. There are two things we are particularly interested in. One is raising the upper age limit to 35, on the basis that there are plenty of young people who have spent a few years studying at university or working in business and might be able to bring their skills and experiences across the UK, but still might be at the beginning of their career. Both the UK and New Zealand are obviously really attractive for young people to work, so we should take best advantage of that.

We would also like to see the removal of the cap on visas under that scheme, on the basis that there is quite a lot of difference between the availability of visas between the different countries that already have those schemes in place. It makes it quite an arbitrary system that is not based on the best skills and talent, but just the general location that people are coming in from. We want to see those two changes.

Q14 **Mick Whitley:** Catherine, what are the current restrictions on UK lawyers working in New Zealand? Will these change once the agreement is implemented?

Catherine Brims: There are some difficulties that solicitors of England and Wales face when they choose to relocate and requalify into the domestic profession. There are also some restrictions on the partnership or profit-sharing options available between foreign and domestic lawyers in New Zealand, as well as some restrictions on the available structures for law firms. Now, none of these are going to be fixed overnight by the



agreement, but the legal services regulatory dialogue does give us a foundation to have these discussions with our counterparts and to work through some of these issues. Of course, as we have mentioned before, the agreement also has mobility provisions, which have the potential to provide a lot of benefit to UK lawyers.

More broadly, the real benefit in this agreement is not necessarily in the immediate change that will be faced by the UK and New Zealand legal professions, but in the continuation and the precedent that it sets for future UK deals that may benefit UK lawyers. In this, the continuation to recognise home title practice, which is a recommitment by New Zealand, is one that we would welcome in future agreements, as well as the continued recognition of the importance of legal services.

Q15 Chair: Catherine, as somebody who does not know much about the legal profession at all, what are you selling to New Zealand? Are you selling English law skills, or are you trying to take an English law firm to then try to sell New Zealand law to New Zealanders?

Catherine Brims: This is where the home title practice comes in. If you are a business and you are entering into a contract, you have a choice of the type of law that you might choose to operate in. English law is common law. It is quite commercially attractive.

A number of businesses will operate under English law, in which case you need a solicitor of England and Wales to help you with using that law. In facilitating English lawyers being able to work with overseas clients in English law, that is where the benefit will come from. It is about English lawyers providing English law advice. There will be times where you will need domestic law, and that is where you would work with a New Zealand lawyer on those cases. Again, it is about facilitating that co-operation and that collaboration between the professions to best benefit businesses and clients.

Chair: Thank you. That is really helpful.

Q16 Anthony Mangnall: Professor Lang, can I bring you back in? You mentioned CPTPP, and I am wondering whether you feel the digital provisions in the Australia agreement and the New Zealand agreement are more advanced than what is in CPTPP.

Professor Lang: Specifically in relation to the digital chapter there are two points. You mentioned the Australia and New Zealand agreement. Maybe I can put the Australia agreement to one side. Both of them are modelled on CPTPP, with some additions and some subtractions. The main element of the digital chapter, which is not there in the New Zealand agreement but which is there in CPTPP, is the source code provision. I can say a few words about that.

This is a provision that prohibits countries from requiring commercial operators to disclose software where they are exporting either the software or products containing the software. The CPTPP and the



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Australia agreement both contain a provision that prohibits that sort of measure. This chapter does not, and maybe I will say one or two things about that exclusion.

I will not go into detail, but it is clear that it has quite a lot to do with a domestic review process from the Waitangi Tribunal in New Zealand, which identified problems with the source code provision for the Māori people in New Zealand. I will say two things. One is in terms of the significance of the omission. It is one to watch as to whether this makes it more difficult for the UK to insist on this sort of provision in negotiations with future trade partners such as India. This is a specific enough circumstance that it will not have those sorts of knock-on effects, but it is one to watch.

Secondly, when you look closely at the legalities of this, the omission of that provision is not legally very significant in this context. Why? There are a couple of reasons. New Zealand is bound by the CPTPP, so it is bound to follow that obligation in that context. Obviously the UK is not a party, but nevertheless that gives some comfort. If and when the UK accedes to CPTPP, that will bind as between the UK and New Zealand.

I will not go into detail, but there are other provisions of the UK-New Zealand agreement that do quite a lot of that work even without the source code provision there. There are some provisions in the investment chapter, non-discrimination provisions, and there is a provision around encryption keys, all of which, when added up together, do a lot of the same work. I do not want to go into the legal technicalities, but just to note that the digital chapter is more or less what one would expect in terms of being state of the art, with one or two reductions, which are commercially not that significant but worth watching regarding future negotiations.

Q17 Anthony Mangnall: The reason I am asking this is that, to great fanfare, the UK made a big song and dance about our agreement with Japan and the digital provisions in that, saying it was a benchmark. We have then done a digital partnership with Singapore, and we are now going through it with Australia and New Zealand. We are hoping to get into CPTPP.

I am just interested in whether you think that there is an advancement and an improvement, or that we have set the standards with our agreement with Japan and we are going to roll that out, and then, when it comes to membership of CPTPP, that it is a step backwards.

We had evidence from Sam Lowe, who made the point that the New Zealand and Australia free trade agreements go further than CPTPP commitments, particularly in digital. Is there an expectation that membership of CPTPP will improve the digital standards of the whole bloc of CPTPP, or are we going to have to roll back on some of our provisions with CPTPP? How does that impact some of the businesses?



Professor Lang: These agreements need to be seen in the round. When one accedes to the CPTPP, that is another agreement overlaid on these. It is never a question of stepping back from obligations that are in other agreements. These are all overlaid with one another.

Taken in the round, the UK's digital provisions in Japan, Australia, New Zealand, and in the digital economy agreement with Singapore, are cutting edge. The UK is looking to innovate and push the envelope, and it is doing that. That is right. I do not mean to give the impression, by focusing on one or two provisions that are not in the New Zealand agreement, that that is not the case there. Within that larger context, I just wanted to draw attention to one or two things that, as a result of the very specific dynamics of these agreements, are not there, and suggest that they are not as big a concern as one might think.

Q18 **Anthony Mangnall:** That is really helpful. Lucy, can I bring you in? Does this add a level of complexity? If you are saying to your members, "We have done a free trade agreement with New Zealand. Here are the digital provisions. Oh, by the way, we are now joining a bloc called CPTPP, which enough people have trouble pronouncing in the first instance, and it potentially has different digital provisions within it".

Lucy Monks: I am going to avoid saying it, frankly. Yes, potentially. I keep going back to the SME chapter. It might seem quite minor and people go, "Okay, it is about information. We have information that is easy and straightforward". The first step is to make sure that the information in the CPTPP is as accessible and easy to understand for businesses working in those areas as possible. The New Zealand deal will make requirements around that. Again, that is why we are going back to talking about implementation. What are those information processes going to look like when small businesses are trying to access that information?

The second thing is that we are talking about businesses acting in different ways. Businesses that are focused on New Zealand might not necessarily be looking at extending into other nations, but the information needs to be as clear as possible. Chris mentioned partnership work with organisations such as the FSB to help.

Q19 **Anthony Mangnall:** On the digital provisions specifically, is this a significantly attractive part for your membership to say, "This is how we can go and enhance trade"?

Lucy Monks: Absolutely, yes, because it is about reducing costs and reducing the burden of administration. The requirements for things like wet ink signatures are quite odd, if you are thinking about the year that we are living in. Everything about breaking down the barriers for small businesses is useful, and just bringing us up to speed with the way that businesses are actually behaving, rather than pushing them in a direction that they are not going in.



Q20 **Anthony Mangnall:** Can I bring in Chris on those two points as well? It is the benefits of the digital trade chapter for businesses, and if you want to add anything else to what we have just been discussing.

Chris Southworth: The digital trade chapter has a host of really positive clauses in it. Continuing the moratorium on customs duties on electronic transmissions across border is really important, in that we are committing to not taxing or putting costs into anything that is moving across borders in a digital sense. There are a host of things around e-authentication, compatibility and e-invoicing, but the main show in town here is all about interoperability. That is built into the New Zealand deal. Andrew is right; you have to see this in the context of the region as well and the role that the UK is playing in the region.

Of the Japan, Singapore, New Zealand and Australia deals, the Singapore deal is by far and away the gold standard globally. That has now set a completely different benchmark up ahead of any other agreement in the world. That is the one to watch, but it is also connected to New Zealand and Australia. You now have three Commonwealth countries that are advocating for legal harmonisation and alignment to remove all paper requirements in terms of the digitalisation of commercial trade documents. This is the number one priority at a global level in terms of removing paper, burden, cost and complexity for SMEs in particular.

Just to put some numbers on that, in the Commonwealth alone, digitalising commercial trade documents is worth £1.2 trillion. That is over the whole intra-Commonwealth trade target of £1 trillion, but across the G7 that is worth £6 trillion in SME exports in the context of UK-Japan, for instance. This is huge. It is the biggest transformation activity in world trade. The UK is now right at the vanguard, connecting up with a host of countries in the east to then drive this transformation across the world economy as well as the UK economy.

We have the Electronic Trade Documents Bill coming through Parliament, hopefully in June or July. That will set the precedent in English law for no requirements to use paper in the use of bills of lading, bills of exchange and other commercial trade documents. That is a game changer, because we will be the first G7 economy to do it. You will see commitments in the New Zealand, Australia and Singapore agreements to do the same. The Singaporeans have actually already done that, so they are starting ahead of us. Once you start to get clusters of countries and corridors operating fully digitally, fully interoperable, all systems and processes can be connected across private sector and Government. That has never happened before.

We operate in a very antiquated world in trade, where nothing connects to anything else. It is a bit like the world pre-Apple and Microsoft when they connected their systems. That is where we are in trade. These clauses in the digital trade chapter are fundamentally important in increasing UK trade, but also having a dramatic positive impact on Asia



and world trade. That is the context in which we need to see this. The prize that we need to win is huge.

This is a huge pain point for SMEs and companies. If you look at the surveys coming in from SMEs and other companies across the UK, that bureaucracy and that paper burden that we are seeing on borders is a real pain point. We should do anything we can to remove that pain point and drive costs down. By the way, it is worth an 80% reduction in the cost of trade transactions. That is huge in terms of bringing down that practical trade cost on the bottom line for SMEs and small companies. It is really, really important that we get this done. The UK is obviously the centre of English law, so it is all at the heart of positioning the UK, in the legal context, into that Asia region.

It has lots of synergies, but the digital trade chapter really ticks all the boxes. It is not quite Singapore, which is the ultimate deal, but it is not far behind it. It tackles the issues that we are dealing with at global level, showing leadership at the UK level in terms of interoperability. It is all about that if we are going to start bringing costs down and making the system more sustainable.

Q21 Anthony Mangnall: Thank you very much for that comprehensive answer. It is quite helpful from our perspective with constituents who export, let alone to the European Union, who are finding that the new system is incredibly complex, with a heavy amount of paperwork to be done. Fishing and farming are pretty good examples in those two areas.

We touched on it earlier, which was the idea of the Singapore-Australia digital agreement, and it was not being used particularly well. Are you already seeing the UK-Singapore digital partnership coming to fruition? Are others taking note? Is this going to set a new benchmark? Is it going to enable the EU to think, "Hang on, the UK and Singapore have something that we should try to copy"?

Chris Southworth: It is interesting. I am up here in the Tees Valley with the Centre for Digital Trade and Innovation that we just launched in April. For that very reason, we are talking about completely removing all paper. There is no reason that a lot of this complexity is there. It is simply about getting the pilots into place. It would be piloting between the UK and Singapore. This is what is slightly different between a digital corridor and a traditional trade corridor, which we broadly understand in terms of tariffs and non-tariff barriers.

For digital trade, we have to implement interoperable standards at company level and Government level so that our systems are connecting. Once you do that you can really start to strip out the inefficiencies and costs, and remove all of that bureaucracy and burden. That is really, really important. We cannot do that until, in our case, the Electronic Trade Documents Bill is agreed and comes into force. We can then go fully paperless and fully digital, but we have to test systems.



We know this is a whole new area for companies. This is a completely different way of doing trade. It is much more efficient, much more modern, and can really allow us to scale technology solutions. The UK actually has a huge export opportunity here. There are lots of companies in the UK economy that can export their tech solutions worldwide, so there is a big export opportunity, but we have to run tests and pilots. That is exactly what we will be doing with Singapore initially, but we certainly have New Zealand and Australia in our sights too. They would be obvious candidates to start running pilots between Government and industry, and just making sure that our systems and processes can handle fully digital transactions.

Once that happens, it will unlock all the numbers that I just quoted earlier, but also, importantly, set the benchmark for all other corridors to go the same way. That is the level of ambition that we have, but we have a challenge because we have to get out to businesses and help them too.

Q22 **Lloyd Russell-Moyle:** Lucy and Chris, the Government say firms can be assured of being able to compete on an equal footing with domestic firms in New Zealand due to the competition and the state-owned enterprise chapters in the agreement. How important are these chapters in the agreement, and do they fulfil the Government's promises?

Lucy Monks: In the case of New Zealand, promoting the principles is more important than the actual direct effect on SMEs. Very few SMEs are going to be competing in the same spaces as New Zealand's state-owned enterprises, just because they tend to be focused on infrastructure and things like that. The principle is one that should be promoted. We have been talking about the CPTPP and the ability to set standards across the world, so it is one that we should and do support.

Q23 **Lloyd Russell-Moyle:** Are the chapters strong enough in terms of how they are written?

Lucy Monks: Yes.

Chris Southworth: A competition level playing field is a core principle for all trade, is it not? If we do not have that in the trade agreement, what is it about? I do not see too much of an issue in this area, particularly with the likes of New Zealand. There will be challenges in other markets where there is a greater deal of protectionism, but this is absolutely a fundamental principle.

The UK has always been an advocate of level playing fields, by the way, so it is a USP of the UK as a real champion in this area. I do not anticipate a particular issue, but it is absolutely important that everything within that trade agreement is non-discriminatory, we are removing barriers and allowing companies to compete on the same footing, and that is in the agreement.

Q24 **Tony Lloyd:** Andrew, on the digital trade chapter, section 15.20 has a point about digital inclusion. Can you talk us through why that is there



and what it is intended to do? Importantly, what do you think it will do in practice?

Professor Lang: This is one of the novel elements of the digital trade chapter. Digital inclusion is listed as one of the four key objectives at the start of the digital trade chapter, so it was seen as important by the two parties. It contains few hard obligations. We should set that out at the start. It is about facilitating and expanding opportunities for digital trade, particularly focusing on women, persons with disabilities, rural populations and low socioeconomic groups. It is focused on the special role of and for small SMEs, and more generally on the promotion of participation of developing countries in digital trade.

This is what one would expect from an innovative provision. It is primarily aspirational. It contains language such as “the parties recognise the importance”, “they shall endeavour to undertake and strengthen co-operation” and so on. There are few hard obligations. It is reasonable to suggest that it will form the context for some of the harder legal obligations, but, more importantly, work in pursuance of this particular article may drive analytical work. There is an opportunity there with the right domestic structures in place to build work on the impact of digital trade on vulnerable groups and explore experimental possibilities for inclusion in a co-operative way between the UK and New Zealand.

In order to really make it work, just like the regulatory co-operation structures, to be honest, you need strong domestic structures to prompt work with the right stakeholder groups within the UK. That is the significance of this. Its formal legal significance is relatively minor, but in terms of prompting analytical work, and prompting work around experimental approaches to building projects and policies for digital inclusion, it can be important with the right stakeholders energised around it domestically.

Q25 **Tony Lloyd:** What does this do for Lucy’s members? What does it do in practice? Are we seeing the practical steps being taken, or is it, in your words, simply aspirational at the moment?

Professor Lang: One needs to take this sort of provision as it is intended. Again, it is about structures and it is about providing an opportunity for the right stakeholders to take the initiative and do the work. That is my view. One has to interpret this sort of provision differently from a strong, clear market access provision that is backed up by enforceable dispute resolution. It is not that kind of provision. It is a provision that expresses not just an aspiration, but a political priority towards digital inclusion.

It is there on paper. It is there in the treaty, which means something. That is a hook, which can be used by the right domestic constituencies, including SMEs but also others advocating for the stakeholder groups that are mentioned within the agreement, to really press their priorities and say, “Look, here it is written in the text. Here we have a project. Let us



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take it forward under the rubric of chapter 15 of the UK-New Zealand agreement”.

- Q26 **Tony Lloyd:** Lucy, you have heard Professor Lang’s comments that at the moment this is aspirational and it needs some effort behind it to translate it into reality. What do your members need to make the concept of digital inclusion a reality in the context of this trade agreement?

Lucy Monks: We surveyed our members a few years ago, particularly around ethnicity and the involvement in trade and other areas of business. We found that people from diverse ethnic minority backgrounds were more involved in innovative work and export work, for a range of reasons, because obviously it is a diverse group of people. One of the things is just solidifying local networks. Providing the information and support that people need locally is going to be really critical. I previously mentioned this when we were talking about implementation of the FTA more broadly.

We need to ensure that people understand the value of their service. Particularly in the service sector, people do not necessarily understand the value of what they are providing, or they might go to financial institutions and say, “Well, this is my service that I am providing”, and for various structural reasons that might be undervalued. That has a knock-on effect to the way in which people can activate their businesses. There is work to be done with larger institutions such as banks, and work to be done directly with Government, to ensure that we can move forward with this. There are people out there who are leading the charge on this; it is just about supporting them to do so in the right way.

- Q27 **Mick Whitley:** Chris, do you foresee any issues in the relationship that would require the use of review clauses found in some chapters, or resolution under institutional and dispute settlement mechanisms?

Chris Southworth: It is an interesting question. I do not see many scenarios where we will get state-to-state disputes. We have two countries here that are very experienced, sophisticated systems, and used to working with each other. It is good to have a clause in there as a mechanism, but I would not anticipate the use of it. There have not really been many cases at all with the UK, full stop, in terms of using dispute mechanisms, and those that have come to courts have not really impacted the UK in what we are doing.

That does not mean that there will not be disputes at an industry-to-industry level and the use of arbitration, but that will not necessarily come within the context of the FTA. That will happen as it usually happens, whether a contract has not been delivered or whatever the case may be. I do not really see this as a particularly big deal. It is good to have that mechanism in the agreement, but I would not anticipate this being particularly contentious with New Zealand.

- Q28 **Chair:** We have a couple of minutes left, so I am just wondering if any of



you think we have missed out on anything in this last 55 minutes or so. What have we missed that you would like to shout about?

Chris Southworth: If I can jump in on the inclusion point, that is a really important aspect of this. You have to look at it from several perspectives. It is interesting that we have inclusion in there. The indigenous inclusion aspect is interesting, because that gives us an indication of what we might be saying in other parts of the world where there are also indigenous communities. Canada would be one obvious one coming up. That is a good thing.

In the context of global trade, we would see inclusion as everybody. There are some very fundamental basics to getting more people participating and more companies participating, particularly small companies. That is all about the digitalisation of trade, getting that cost base down and making the system a lot simpler. With that will come more participation. That digital chapter is fundamental to delivering a more inclusive system. That is the way we look at it at the International Chamber of Commerce.

We also know that five out of six companies worldwide that are digital are led by women. We know that, if we get that digital environment right, more women will participate, which is great. That is exactly what we want. Interestingly, in the European region context it is one in six. We obviously have a challenge at our end in terms of getting that environment right, where more people can participate, more women, more ethnic communities, and the system becomes a richer place for it.

I would just add that point that the wider digital chapter is highly connected to that inclusivity piece. If we get that digital piece right we will deliver a more inclusive system, but the data in the trade system is also quite poor, particularly for women. We do not really get good quality data on how many women are actually trading in the system, so we have to work at that. The Government are very committed, as they were at the G7 last year, and again this year. They are absolutely right to flag it. It is a problem in the trading system worldwide, but we have to work at it. It is going to take time.

Q29 **Anthony Mangnall:** I just wonder if anyone had any thoughts on the fact that we may be doing a deal with India? We are freshly back from a trip to the Gulf. The provisions of what the UAE has signed with India around digital trade protection are quite light. Is the UK likely to be able to achieve a robust digital chapter, as we have with Australia, New Zealand, Singapore, Japan and the CPTPP?

Chris Southworth: India is an interesting case at international level as well. A week or so ago I came back from the World Trade Organization. Lucy was with us down there as well. India was flagged in almost every single context as the country blocking pretty much everything that is on the table in terms of the ministerial conference. There is clearly a real challenge with India. We know that anyway in the system, but there is an



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interesting opportunity here for the UK, outside of that WTO context, to make some progress, particularly on areas like digital, but it will be tough. The Indians are notoriously tough in terms of negotiating, and highly protectionist as they approach their market.

There is an opportunity for the UK to see if we can tease out some opportunities, but I would not expect anything of the scale of Singapore, New Zealand or Australia. We have to manage our expectations of what we can get, but obviously the size of the prize is huge. If we can get progress with India, that will have really positive repercussions, not just for the UK and India, but worldwide. I would come at the India agreement with that in mind. It is a big opportunity. It will be challenging, but if we can get progress in the digital space it will have an enormous positive impact for the UK, India and worldwide.

Chair: Thank you all very much indeed for your contribution this morning. It brings us bang on 11 am, so we will suspend the hearing for a couple of minutes while we will change witnesses. Can I say a huge thank you for your contribution?