



International Agreements Committee

Corrected oral evidence: Ministerial evidence

Wednesday 13 July 2022

9.30 am

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

Evidence Session No. 1

Heard in Public

Questions 1 - 14

Witnesses

I: Rt Hon Anne-Marie Trevelyan MP, Secretary of State, Department for International Trade; Crawford Falconer, Second Permanent Secretary, and Chief Trade Negotiation Adviser, Department for International Trade.

Examination of witnesses

Anne-Marie Trevelyan MP and Crawford Falconer.

Q1 **The Chair:** Good morning, colleagues. My name is Dianne Hayter, and this is a meeting of the Lords International Agreements Committee. Before I start, because we will be wide-ranging, I declare my interests as a board member of the ABI¹, to have that on the record. My colleagues will introduce themselves as we take questions from them.

I can hardly see you at the other end of the room. I welcome the Secretary of State. We panicked a bit last week when all these Cabinet Ministers were resigning. We had our fingers crossed. We were delighted that you did not resign and that you are with us today to set out the Government's stall on trade negotiations and answer our questions.

Could I take a moment to say how much we have appreciated the input and the work from your colleague Lord Grimstone, who has now left? He was extraordinarily open and always very well briefed, and very forthcoming with us. I do not think that he gave away any of your secrets. It was a pleasure to work with him and we appreciate all the time that you spared him to work with us. It worked well.

I also welcome Crawford Falconer, the Second Permanent Secretary and chief trade negotiation adviser at DIT. Our future is in his hands, as he negotiates. We are very pleased to have him here.

I shall pose the first question by inviting you, Secretary of State, to set out an overview of the major trade negotiations that the Government are undertaking at the moment. You might also like to comment on whether the Conservative leadership contest, which is taking place not far away at the moment, could have any impact on the planned timelines of the negotiations that you are involved with, and particularly those with India, which I know that you were hoping to complete by October.

Anne-Marie Trevelyan MP: Thank you, and thank you for your kind words about Gerry Grimstone. He has been an extraordinary part of the team, and has obviously helped to set up and drive the Office for Investment, as his day job, if that is the right description, within the many ways that he supported the Prime Minister and the great challenge and freedom that Brexit has brought us to be able to use trade policies to drive inward investment. He has been an extraordinary member of the team and we wish him well in his retirement. Thank you for your kind words, which I know he will appreciate.

To give you an overview of where we are, you will be aware that we were able to roll over all our EU-related trade deals. Since then, we have added two more, new, from scratch, trade deals, which we have negotiated with Australia and New Zealand. We now have 71 free trade agreements, covering over £800 billion-worth of UK bilateral trade in 2021. Am I right in saying, Crawford, that we now have more trading agreements than anyone else in the world?²

¹ Association of British Insurers

Crawford Falconer: That is right.

Anne-Marie Trevelyan MP: That is a rather satisfying statistic, and the aim is to grow that number at pace.

This year, I have set a very clear focus. The first is to try to accede to CPTPP, because we are very conscious, and you will have seen in the Integrated Review that the Prime Minister published last year, that the focus towards the Indo-Pacific tilt is a really important one for the UK. From a trade perspective, the understanding is that that is where we will see large growth in middle-class markets over the next 10 to 20 years, and we want to make sure that UK businesses have the opportunities to access those markets. CPTPP is a really important driver of that.

New Zealand and Australia are both important trade deals in themselves for the UK but they are relatively small. They are two of the 11 members of the CPTPP family and have been great champions of our proposed accession. We are now in the second part of that set of negotiations; we are the first country to be invited to accede. We hope that that will crystallise by the end of the year, if we can get through those various next stage processes. It is really important because it is a huge, nearly £9 trillion market, so we want to make sure that our businesses can reach into that.

As you mentioned, Chair, India is an important FTA. I was able to launch that back in the spring.³ Those negotiations are now going at pace. Prime Minister Modi and Prime Minister Johnson between them have set all our negotiators a very firm target of having the bulk of the deal crystallised and agreed by Diwali—that is, 24 October. It is a very clear marker and the teams have been working really well.

Let me get this right. We are about to go into round 5 of negotiations at the end of the month. We have been genuinely pleased by both the openness and the ambition that India has shown, because this is new for it in terms of broad, modern trade deals, and we have come in with a very clear picture about what we want to be doing with it. I have been clear to the teams that it is about substance, not speed, getting that ambition, that breadth of commitments in a trade deal that affords our businesses the opportunity to look forward and know that they have a useful relationship set up for them. So, India is going at pace.

Looking back to the CPTPP family, we are working on improving and expanding the Canada and Mexico FTAs, which were rollovers, but, when this happened, they were both keen to say, “Can we be at the front of the queue to do something much more modern and broader than we have had with our EU trade agreements?” Both of those are now in progress, which is great.

² Post-meeting clarification: excluding the EU.

³ Negotiations launched on 13 January 2022.

We are also looking to do something similar, but punchier and more wide-ranging, with Israel and Switzerland.

We have a lot of ongoing work with the USA to continue to build those relationships, having been able to negotiate the removal of the Section 232 tariffs in January of this year. That has opened up the opportunity for us to discuss trade in a number of broad ways. The White House is still very domestically focused on the formal re-energising of the FTA, but in the meantime we will be working state by state, really importantly, to be able to understand, hearing from our businesses, what is important to them. A lot of those issues or barriers that we can unlock for them are things like mutual recognition of qualifications in the service sectors, whether legal, architecture or accountancy, at a state level where those barriers sit. We have so far signed an MoU with Indiana, but we hope to do a number more in the weeks and months ahead.

We have also had some really good, deep-dive discussions with my US counterpart, Ambassador Katherine Tai, on SMEs and digital trade, meeting in Baltimore, and then we brought her team to Scotland, to talk about those issues, so that, when we get to an FTA, we will be looking to find solutions to stripping away those market access barriers.

The team is incredibly busy. We are also working, of course, at the level below FTA. If FTA is the shiny golden part of the department, what we can do at pace, and week in, week out, is strip away specific market access barriers, through the objectives that we have, in discussions with lots of countries.

We negotiated on a really interesting one last year. There was a slight problem with the types of testing done for cosmetics. It was a barrier to China, so we managed to sort that out, and we now have hundreds of millions of pounds-worth of cosmetics market opportunities for UK businesses to take to China. Often, those small market access barrier pieces of work that we do can unlock literally tens and hundreds of millions of pounds of trade for our businesses.

The team is working at pace across the board to find ways to make it easier to trade. It is a very simple mantra that we have: how do we make it easier? How do we help you to get there? The trade teams in-country are there to build those relationships with our export teams and help businesses to do that. These tools are being put to use at pace, which is great.

That was a really interesting question about the leadership. Everyone is fighting over themselves to be as post Brexit and positive as possible, using the tools of Brexit. Speaking as a Brexiteer, I am thrilled; I think that is really good to hear, because Prime Minister Johnson delivered Brexit and delivered the technical side of all of that, but now it is making use of those tools available to us, and trade policy is an absolutely critical one. It is a really exciting part of those post-Brexit opportunities. Every colleague standing for election is very conscious of that and wants to think about it. I am very happy to encourage them all to think about how

we want to make that happen more quickly and how we energise DIT to be that engine of economic growth, supporting our businesses to find new markets.

Covid has added huge layers of difficulty for businesses. Supply chains became very difficult, if not fell to pieces, and shipping systems were unable to work fluently. All those issues are slowly getting back to normal so that businesses can have confidence that they can look for those new markets, and our teams work closely with them to do that. Whoever wins the contest going on down the Corridor at the moment, I hope that by the end of the summer we will have a new Prime Minister who is equally passionate about encouraging that. We need economic growth. You can only grow so much domestically, by definition. Export growth is where we can see our economy get stronger and broader so that we can do all the other things we want to do.

The Chair: It is breathless to hear. I do not know what it must be like actually trying to do that. It raises a lot of questions, so I shall go straight to some of my colleagues, perhaps starting on the subject of America, which you mentioned, and ask Lord Gold to come in at this stage.

Q2 Lord Gold: Good morning, everyone. Good morning, Minister. Let me first apologise because I am in a noisy environment here, so I will quickly ask my question and then turn off the microphone. My question goes to the memorandum of understanding that has been signed with the US state of Indiana. Could you kindly tell us about the status of this and the trade and economic development that is being achieved there? What is the legal status of this and, in particular, what concrete benefits does it offer the UK?

We as a committee have been very interested in memoranda of understanding and whether they will come before us for scrutiny. This is a very important one for us, and if you intend to sign any more we would very much like to know, if you are able to tell us. I am pleased to say that it has gone quiet here now.

Anne-Marie Trevelyan MP: It sounds as if you are in a very peaceful place. I would enjoy that while you can.

Lord Gold, thank you. It is a really important question. We would be happy to do a session, perhaps later in the year as we sign more of these, offering an opportunity for you to scrutinise and help us to think about how we do this. This is very new. This is a new iteration for us of finding ways to help unlock those market access barriers and build those relationships at a state level for our businesses.

The MoU is not a legally binding trade agreement. It is a demonstration of what is already a strong and existing relationship. If you like, it codifies the political will on both sides, and it enhances bilateral co-operation across economic development, trade and investment issues, and specific areas such as mutual recognition of qualifications—specifically with Indiana, in relation to UK businesses and Indiana businesses very

specifically. The state system has this dissemination of powers, and that is where we can come in and help our businesses in that space.

When we think about the US state situation and the strong relationship that exists, we want to help deliver those benefits for any of our businesses for whom that is a particular focus. We already have over £1 billion-worth of goods being bought from the UK going into Indiana, for instance. There are barriers to trade that we want to be able to help unlock and move those investments so that we can create jobs here. With Indiana, sectors such as aerospace, pharmaceuticals and automotive are of particular interest.

Interestingly—and I think we shall see this repeated, unsurprisingly, as we do more—after the UK's COP 26 presidency, which was the policy end of how we tackle the climate change challenge, we are rolling into the trade opportunities and, indeed, the urgency of shifting to green trade, thinking about low-emissions technologies and other such developments. It is the technical end as well as the output end, through vehicles such as buses, and changing the way we do things. Our leadership has given us an enormously strong opportunity to use those broader sustainability challenges in agriculture as we export brilliant British expertise. With Indiana, that was a particular area of interest to them.

This MoU also looks to future-proof co-operation on disruptive technologies, thinking about best practice around regulatory networks. There is a really big piece of work around regulation. Obviously, you want to strip away tariffs, and you want to have customs facilitation, but there are so many other quirks that, in regulatory terms, we have the opportunity at a state level to help unlock, and that is where this gives us an extra tool to do that.

This is our first deal. The team is working, and I will ask Crawford to update you more fully on where else we are working. We hope to have something like half a dozen by the end of the year. Crawford, would you like to add something about where else we are peering in?

Crawford Falconer: We are looking right across the US at one level. It is a question of: where do you stop? We are not, a priori, limiting ourselves at all. Frankly, we are quite happy to look at all states, resources permitting and economic priorities being consistent, but we have to be realistic about what we bite off and chew first. We are discussing a few more that are further advanced, which could come to fruition in the next little while. They are still under discussion. But, for the moment, we do not think it is unreasonable that over the next year or so you could be looking at up to half of the US states as being in scope to consider whether it is worth while proceeding with them. We are not going to do it willy-nilly just for the sake of the numbers. We will have to look at the states that are genuinely interested.

It is not just a question of where we have a commercial interest and then we will do an MoU. If we are going to do an MoU, do we really believe that both sides are able and willing to invest the resources and the effort

to make something of it? Because they are not legally binding agreements, they are not going to have contractual obligations. They will work because both parties say, "Actually, we would like to co-operate and discuss what we can do". As the Secretary of State has said, much of that, if indeed not all of it, will be, "Ah, so that is what you are up to, and you have investment opportunities in this area. We hadn't quite twigged that this is something that could work to our mutual advantage". You do not have to negotiate everything. In fact, the negotiation part of commercial transactions is, in many ways, a relatively small part of it. There is a big, co-operative effort involved in this, which requires a decision that is more than, "Can we sign this?" It is, "Can we have backing both from business in the UK and from our partner in the US state, and the administrative readiness to enter into discussions?" I cannot be more precise than that at this stage.

The Chair: Would you like to share the names of the five that you are talking to?

Crawford Falconer: That is something that we can do very shortly. At the moment it is probably not a good idea, simply because we are having those conversations. It is not because there is anything particularly secretive about it. It just means that we are exercising a judgment with a number of people with whom we are talking about who we think are really going to get over the line. I do not want to create the impression with them that we think that some are better than others, as it were, or more important right now. It is a genuinely open discussion with them.

Lord Gold: Do you feel that entering into these MoUs with an increasing number of US states might assist you to secure a trade deal with the federal Government? From what we have seen, that appears to be quite a long way off at the moment.

Anne-Marie Trevelyan MP: Definitely, the White House is presently focused much more domestically, and clearly that is a decision that we respect. We stand ready and clearly waiting to pick up and continue those FTA negotiations, which had been ongoing under the previous Administration. Having been able to restart discussions at a federal level, following the Section 232 tariff negotiations, we have re-energised the relationship and I have regular meetings with my counterpart, Ambassador Tai, which is really good, and we are looking across the piece at those areas that we know are important.

When we get to the opportunity to have that FTA negotiation once again, it will be much broader. She and I talk about a 21st century framework, which allows businesses to really think ahead, which will look at those questions about investment flows going to female entrepreneur-led businesses, where the numbers are still massively skewed in a gender sense. Something like only 10% of investment goes towards female-led businesses, even though female-led businesses are invariably more profitable than others.

There is a whole series of areas of trade reality in which we want to find tools to energise businesses to work together. Questions around how SMEs are supported and how an FTA can be a real driver for SME growth is another area on which both of us are very focused. So we are taking the opportunity, while we wait for the White House to get to the stage where it wants to formally set to, to drill down and think about what those questions are, what those barriers are and how we can be ready to find solutions.

Along with two of my other Ministers, I have regular engagement with the US, with Senators and Congressmen. A number of Congressmen have just tabled what they call a "special relationship Bill". It probably will not come into law, but it is a real championing of wanting an FTA with the UK. We are very grateful to them for their public championing of wanting to see this FTA come into force. I am very confident that, when the White House is ready to look up from its domestic focus, we are absolutely ready and raring to go to pick up those areas. We are doing a lot of the background work now, so that we will be able to move at pace when it is ready to do so.

Lord Gold: That is very reassuring and very good news, but is the reality not that, if we go ahead with our legislation relating to the Northern Ireland protocol, the US Government are not going to go any further with us on a trade deal?

Anne-Marie Trevelyan MP: That is a really important question, Lord Gold, and something that I have discussed particularly with Richie Neal, the Chairman of the Ways and Means Committee. When I was over there before Christmas, when we were starting to try to unlock the Section 232 tariffs, which had been stuck for four years, we were able to have some really good discussions about that and to help them to understand more fully what the issues were and why it was that we needed to try to make progress on the protocol.

I always describe it, very conscious that there will be listeners in the room, by saying that the protocol is a clunky document. It was done precisely to assure the stability of Northern Ireland, the protection of the island of Ireland and all those issues, in case we never got the TCA. It was done absolutely as the biggest wraparound blanket of protection that we could all come up with, to try to ensure that the demands of the Good Friday agreement that we maintain peace, stability and prosperity could be assured. That is what it was designed as. It was designed, as all FTAs are, with the best of intentions and trying to get something from all parties that we hoped would work. It is now up and running, but it turns out that some of it is very clunky, which has caused a lot of trade diversion; it just has.

As with every FTA, and built into it, there is a whole series of both safeguards and change opportunities. I get quite frustrated when I hear some EU voices saying, "You want to strip everything away". No; every FTA has the opportunity to be improved, changed and amended as we move forward, and that is built into the protocol. Great credit to Lord

Udny-Lister for seeing far ahead, and we want to do that. The challenge that we have had is that, at a domestic and practical level, our EU counterparts have been unwilling, so far, to work with us to make those small changes that would help to unlock some of those problems.

That is absolutely fine. That is their position to take. We feel, as the UK Government, that it is our absolute responsibility, in order to sustain those demands of the Belfast/Good Friday agreement—that stability and economic stability—to do that ourselves. We can do that in domestic law and that is what the Bill brings forward. It is a clear set of directions on where we need to make changes to make it easier for those flows to work. As the Foreign Secretary continues to say, we really hope that we can do this through negotiated discussions. Hopefully, perhaps after the summer, those will continue, and we can look at the practical issues that need to be resolved. But if we cannot make the progress that we know we need to, for Northern Ireland's purposes, and we need to ensure that those flows work, we feel that it is our responsibility, as the UK Government, to bring forward the Bill that will enable us to help businesses to have the change that they need. But this is the nature of trade deals.

As I say, as the other side of having the protocol, we also negotiated the TCA, which has a lot more practical solutions in it. In a perfect world, it would all wrap up as one. The protocol was there precisely to assure and secure those important issues for Northern Ireland. I think, to your point, my US colleagues and friends are much more conscious of understanding the journey on which this has taken us. Whichever part of what I always call the three-legged stool you are, whichever part of the voices within the Good Friday agreement you are, we all want to ensure that Northern Ireland's stability, and the island of Ireland's stability, is assured. To do that, we must all work together to keep those areas of economic, social and religious stability maintained. This is the way that we, as the UK Government, believe that we can most effectively assure those. I think our US colleagues are now more able to understand that.

Conor Burns, who has been working alongside me, and Liz Truss, as the Prime Minister's envoy, have been out and about across the States over the last couple of months, having really deep-dive conversations with Senators and Congressmen, so that they can get a clear, gritty picture of the realities of those flows, which have stopped working properly. It is a very classic trade issue and, it being Northern Ireland, it is a very sensitive one, but it is fundamentally a matter of trade flows, and what we want to do is get that right.

Lord Gold: Thank you very much indeed.

The Chair: We are still on the first question, and there are two more supplementaries on this. Could the people behind you forewarn your office that we may be taking more than an hour of your time, so that they can do the necessary there? If that is all right, I will bring in two supplementaries on this question, and then move on to someone whom you have already name-checked, Lord Udny-Lister, and Lord Watts.

Lord Kerr of Kinlochard: Secretary of State, you speak of the Northern Ireland protocol as if it was a free trade agreement. The Northern Ireland protocol is a component part of the international treaty that secured our withdrawal from the European Union. You talk about the United States being unwilling to discuss a trade treaty with us because it is focused on domestic considerations, but the federal Government and the White House, and the President in particular, have made it clear several times that, unless we apply the Northern Ireland protocol, and particularly if, as your Bill now intends to do, we destroy the Northern Ireland protocol, there can be absolutely no question of a trade deal with us. It is not domestic considerations; it is what we are doing and what we are saying that has caused the inability to advance relations in trade, and a lot of other matters, with the United States.

Anne-Marie Trevelyan MP: Thank you, Lord Kerr. Part of the protocol's very clear set of agreements, as you say, is on trade, about economic and environmental, social and religious stabilities. Article 16 of the protocol, for instance, is built in there to afford both parties—that is to say the EU and the UK—the opportunity to say, “Hang on, this isn't working as smoothly as it could”. Last summer, through the issues around medicines, the EU called on Article 16 to pause the programme while it wanted to discuss, look at and sort out a particular issue. The Article 16 safeguard was used well, as it was designed to do, in order to assist the resolution of the particular issue that one party to the protocol wanted to raise. So these are factored in.

The challenge that we have continued to face is that, over similar issues from the UK's perspective that we felt were causing trade disruptions specifically, we have not been able to find a way to work with the EU to solve those yet. The Prime Minister determined that it was necessary, in order to demonstrate that the UK wants to assure safety, that we find ways, around those trade areas, to amend the protocol as it stands and to do that within domestic law, in order to assure that. So we continue to have those discussions.

The US position on trade deals is much wider than that. I do not disagree with you. I think the President of the United States has a particular focus and interest on all things Ireland, and, as I say, I have discussed it with a number of his Senators. We are of the view, as the UK Government, that we must do all that we can to assure those trade flows, because it is one of several areas that are set out in those safeguards where, if there are concerns, we should come together to solve them. However, because we have been unable to make progress so far with our EU friends and negotiators, the Prime Minister has decided that, in the meantime, hoping that those negotiations will pick up again, we need to crack on. It is our view that it is our responsibility to assure those economic flows as well as securing others, because, of course, they are having disruptive impacts elsewhere.

Lord Watts: You paint a rosy picture of our trade since Brexit. Is it not the case that our trade with the rest of the world has declined over the

period, and that Northern Ireland is doing quite well in comparison with the rest of the UK? I wonder why you are putting at risk not only the international agreement but a trade agreement that seems to be working on behalf of Ireland and the UK.

Anne-Marie Trevelyan MP: You are quite right. It has been wonderful to see Northern Ireland trade pick up. Historically, that has not been the case. Some amazing high-tech, front-end, really innovative businesses are setting up in Belfast, in particular, and there are some interesting groups in Londonderry, where they are pushing forward in some important innovation sectors. We support that very much and will continue to do so. We want to help those sectors thrive, but clearly there are issues with diversion of trade, which is causing the sort of disquiet that we absolutely feel, as I have said, and which the UK Government have to face. Until such time as we can negotiate those technical issues with the EU, we feel we need to do that in a domestic environment. That is what we will continue to do.

However, more broadly, of course, global trade has been incredibly disrupted as a result of Covid, as I mentioned earlier. Issues with the supply chain flow are a real challenge, with some whole sectors closing down in other parts of the world and creating really challenging problems as everything cranks back up again. Our trade with the EU is up higher than it was before Covid, and it is rising again. As international markets reinstate things such as shipping lanes and get them working again—there is nothing like containers being in the wrong place or indeed unavailable—the great swathes of power generation that were closed down during Covid get back up and running, and China reopens its ports at a pace that allows import-export flows, there is a whole series of post-Covid challenges that businesses of many sorts are picking up.

Interestingly, the vast majority of our exports are services, and the challenges of not being able to move human capital around because services are closed also had disruptive impacts. But we are seeing a strong pickup across the world as those Covid disruptions start to unravel and things are much better than they were even three or four months ago.

Lord Watts: But is it not the case that if you pursue this policy on the treaty you will put at risk the growth in both European trade and Ireland trade? Is it not your assessment that it is likely to injure it and that there will be a decline in trade rather than an increase?

Anne-Marie Trevelyan MP: As I always say, trade is about willing buyers and sellers. In both cases we have great growth there. The Prime Minister's absolute focus is on supporting Northern Ireland and ensuring that those disruptions do not come into play. The protocol sets out everybody's commitment to try to make sure that that does not happen. At the moment, we feel that, because we cannot make progress in the negotiations with the EU, we need to use the Bill at a domestic law level to help make those assurances and to create, as the Prime Minister calls them, his red and green lanes so that it is easier for trade. A huge

amount of work has been done to provide assurance to the EU on those flows, and we hope that as the year goes on, and now that the data is available, it will become easier for it to make progress and we can do this through the negotiated channels.

Q3 Lord Udney-Lister: Before I ask my question I will declare a few interests, which are all in the register. I work for HSBC some of the time and—perhaps more relevant to my questions—I am the joint chairman of the UAE-UK Business Council and a director of the Saudi Business Council. These are non-pecuniary interests, but I am heavily involved with a lot of British companies out there.

My greatest concern, and my first question, is about the GCC. For everybody who works in that part of the world, the GCC is not actually the bit that we are really interested in; it is the bilateral agreements that you might be able to strike with the individual Governments. Even within the UAE you have seven emirates that do not necessarily operate as one, so it is quite a diverse market out there. The big issues for British companies are to do with actually getting to the marketplace—recognition of qualifications, IP, ease of doing business, visas and so on—which are different in each of those countries.

My first question is: how quickly can you move through the GCC negotiation and on to the bilateral negotiations? I fully recognise that you will have to have various agreements in those that you will not give one country something more than another.

May I ask my second question, Chair, after Lord Sandwich? It is about India and I do not want to tread on somebody else's toes.

Anne-Marie Trevelyan MP: A few weeks ago we launched our GCC FTA negotiations, which we are really pleased about. To take your point, because the economies are all very different among the family of six, I do not think that we will be doing a vast and broad trade agreement with the GCC alone; it will be within the confines of what it feels sits between all of them in the trading bloc. As I have said to everybody, once we have that framework FTA, which will cover a number of normal areas within an FTA, we will be happy to look at making bilateral agreements with those that would want to do something more than what we achieve in the GCC FTA. You are exactly right: every one of those six countries has its own dynamics and, as you said, the UAE has its own, in the way that the US has state-level ones and the federal level. We want to be able to work with those.

We have so many strong trading ties with all those countries and, indeed, geopolitical ties of many sorts. The work that Lord Grimstone has been doing on inward investment into the UK from a number of those countries has been incredibly successful. We are working very closely with a number of GCC countries, particularly in areas of green technology development and new clean-energy technologies. Obviously, we work at a number of levels with all countries, from military engagement right through to trading, but you are quite right that areas such as mutual recognition of qualifications, issues relating to IP and visas would

obviously sit outwith a trade agreement. They would sit in negotiations with the Home Office. We will look at all these trading areas at a GCC level, and we hope to reach a good settlement at whatever level the whole GCC can work at, but we continue to be ready and keen to do more with those that want to in due course.

Lord Udney-Lister: May I quickly come back on that point? Three of those Governments have indicated very strongly to your negotiators that they are open to these bilateral negotiations. The worry that everybody has is that the whole negotiation will get bogged down with the GCC and move at the pace of the GCC and not at the pace of the individual countries, which are likely to move significantly faster than the GCC. I suppose I am looking for reassurance that the negotiators are not closing off moving at pace with some of those countries, even at the expense of a GCC deal. At the end of the day, the GCC is a customs union, and tariffs are not anybody's real problem; the real problem is access to the market.

Anne-Marie Trevelyan MP: As I said, the Prime Minister set a very clear mandate for the DIT to start with the GCC FTA. That was his clear direction, so that is what we are doing. As you know well, we already have strong relationships with those countries that will be keen to do more—as are we, as I have been clear with them. I would like to see them all working with their GCC counterparts to help land a GCC FTA first. The sooner we do that, the sooner we can do more intense bilateral FTAs with those that want to. I hope all of us work together. The teams have just started the negotiations on the GCC, so we look forward to working with them.

We are here to work at pace. We have a broad range of potential. We are not proposing for a moment that the GCC FTA will be the most expansive that there is, but that is perfectly all right. We want to do something that works for everybody and for us, which helps UK businesses to have the opportunities that the GCC FTA will provide. We will be very content to look further at bilaterals. The Prime Minister set a very clear direction, so that is what we are doing.

Lord Udney-Lister: Thank you.

The Chair: Earlier on, in answer to one of my colleagues, you offered to come back and speak to us later in the year. With a new Prime Minister, we might want to talk about some of those priorities, so we will take up the offer—yes, please.

Q4 **The Earl of Sandwich:** Thank you, Secretary of State, for coming to see us today. My question is about the much-advertised Diwali timetable for the India FTA, which you have half answered. This is causing concern among our witnesses, who say that having a speedy interim agreement is bound to sacrifice some of the substance of the deal and therefore any advantages to the UK. The environment could be one example of a casualty. You must also be concerned about this.

Anne-Marie Trevelyan MP: The plan that our Prime Minister set us was to complete the bulk of all the agreements that we want to do for the FTA by Diwali. I do not think that we will have completed the legal scrub by then; that would surprise me. That would be a feat of effort beyond even my team, but we want to see negotiated the breadth of issues that we know we can bring together. We are just starting round 5 of the negotiations. Rounds 1 to 4 have been incredibly successful and much broader in their areas than I perhaps anticipated when we started, so I think we will have a very broad and good trade agreement.

We are now getting into some of the more detailed market access discussions, which, as ever with any FTA, will reach a balance that must be good for the UK in the round; that is what we will look to achieve. I have been very clear that it will never be speed over substance; we will always work to get a trade deal that is good for British businesses. If it is not, when we get to Diwali, we will not sign it, but I am honestly genuinely hopeful, because we have made incredible progress so far, that we will have the framework and the detail of a deal of which both the UK and India can see the real long-term merits. It is a huge market of 1.4 billion people, with an economy of more than £2 trillion, and India is growing at pace and is keen to really move forward.

Beyond the normal goods and services points of an FTA, we are working with it on investment flows and IP questions that can enable things such as green trade technology to grow, and working in the digital, data and innovation space. These areas are completely new in an FTA for India, but we are seeing a real enthusiasm and commitment to working alongside us, so I am optimistic. Clearly, negotiations are negotiations, so we could get stuck or bogged down in something, but I hope not. We have had a very clear, encouraging steer from both Prime Ministers to crack on. That is the right way to go at it. Let us really try to get to the nub of what is important and help our businesses to see the future benefits for all sets of citizens.

The Earl of Sandwich: We agree that there is plenty of opportunity, but it is the phrase "interim agreement" that bothers me. You do not accept that as a description; you think it is the real thing.

Anne-Marie Trevelyan MP: No, that is not the plan. Last year, the initial thoughts were that there might be an attempt to go for an interim agreement early this year. When I picked it up and launched it at the beginning of the year, we agreed that it would be much better to try to drive at getting the shape and depth of an India-UK FTA before the end of the year, because India has a real focus on this now. Prime Minister Modi is genuinely committed to building in this area of policy for India and it has a superb team of negotiators.

As I said, I am genuinely optimistic so far; the teams have made real progress on both sides. We may yet get stuck, but I will not agree to a deal that is not good for UK businesses. That is why we are doing this—to help our UK businesses to export and grow. Our economy grows through

exports. We will continue to work on it, but so far it has been really successful and the negotiating teams are working really well together.

The Earl of Sandwich: Thank you very much.

Q5 **Baroness Liddell of Coatdyke:** The issues of speed and substance, and quantity over quality, are troubling us in some detail. For example, in the Australia deal there are huge holes around climate change that are pretty critical for both them and us. I do not know if you managed to hear, Secretary of State, the farming programme today at 5.45 am.

Anne-Marie Trevelyan MP: I did not, I am afraid.

Baroness Liddell of Coatdyke: The National Farmers' Union pointed out that the deal that New Zealand has done with the EU is much better than the deal that Britain has done with New Zealand. Did we drop the ball on that, or is this just a consequence of being rushed?

Anne-Marie Trevelyan MP: Thank you, Baroness Liddell. In relation to the question about climate change and the environment, in the broadest sense, Australia was our first free-to-put-together-how-we-wanted trade deal, because obviously all the EU rollover deals were simply whatever was in the EU deal: it was a question of take out and put in and, "Are you okay still doing that just with the UK?", so there was no change to what was there. The Australia FTA was our first opportunity to say that, for the UK, it is really important that we talk about the environment and we think about how we can help our businesses to work together in the really important areas of trade and innovation, now and for the long term.

The commitments that everybody made at COP 26 last year have provided an anchor, as I see it, from which business and investment can now flow, and we want to be able to grow that whole sector of business in order to meet the climate change challenge. With the Australians we have an environment chapter—which is a first for them; they have never had anything like that in any of their FTAs before—setting out the mutual commitment and talking about the detail. The environment chapter of our New Zealand trade deal is more detailed; we have specificity around environmental goods and services.

In both cases, we have new chapters talking about our mutual commitments, how we can work together and how our trade tools can be part of the solution to meeting the climate change challenge. It is important to me personally that, when we talk about the environment, we talk about not only the challenge of carbon dioxide but the much broader questions about sustainability, and that we think about how to push that forward. In Australia's case, these elements were completely new, and I am very pleased that we were able to embed them.

On your point about the New Zealand-EU deal, we have not seen the detail. Clearly, what New Zealand negotiates with the EU is for it to do. We have a fantastic agreement with New Zealand that is very broad, including some exciting new mobility opportunities for both Australia and New Zealand, so that both young people and businesspeople can easily

move to and fro. Making it much easier for businesspeople and their families to go to New Zealand or Australia is how trade can grow. When businesses take their people—their really important human capital—they help their businesses to grow.

Baroness Liddell of Coatdyke: Why is the NFU being so critical then? If this is such a wonderful agreement with New Zealand, why is it being so critical of it?

Anne-Marie Trevelyan MP: I would refer you to the NFU; I cannot give you that answer. Overall, this is a great deal. I have not seen the full detail of the New Zealand-EU deal yet, but, importantly, ours is a deal with New Zealand in a bilateral sense and we are very pleased with it.

Crawford, do you want to talk more fully about that? I know that you have been trying to get under the skin of the New Zealand-EU deal as it appears.

Crawford Falconer: Yes. We still cannot see all the details of the agreement with New Zealand, but, frankly, it is very difficult to imagine that if you had had another month, let alone another year, the scope of it would have been any different. So, as to whether things were covered, the answer is that I think they were covered. There is no obvious additionality in the nature of the relationship with New Zealand that more time would have bought you. I would say that, because I was supervising the negotiation, but it is the truth.

Obviously, agriculture is the specific part of the agreement where there is concern generally. There is concern about how much liberalisation we have done, which is not a question of whether more time would have made a difference but of what the nature of the negotiation is. At the most fundamental level, the negotiation is advantageous to us both in terms of overall economics.

On the agriculture side, as I say, I have not seen the exact detail on sheepmeat in the EU agreement, but certainly there is scarcely any additionality on sheepmeat, because what people tend to forget is that, under our existing WTO commitments, we already have allowance for basically a doubling of sheepmeat imports from New Zealand. It is entitled to do that under the WTO provisions, but it has historically been nowhere near that. So it is very difficult to imagine any scenario in which there will be significant additionality on sheepmeat. There is a bit of additionality on beef, but it is not as competitive on beef as lots of other suppliers, and I suspect that the numbers on that from the EU are quite small.

Frankly, we are not quite as protectionist as the EU in this area, and the Government have been quite clear that they did not intend to be. The nature of adjustment that would be required for New Zealand, even in the beef sector, stretching out over 15 years is very small. The numbers are in the impact assessment report. It is not mathematically precise, but, in terms of its impact, it is estimated that, over 15 years, about 1%

of production is the worst on average that you would expect in the sector as a whole. That is manageable. It is an increase in competition to some degree, but that is what trade agreements do. I guess in some sectors we are not so used to that, but it has changed. Again, that is not a trade-off between time and scope, as far as an agreement is concerned. In fact, I think—I will have to check—that that agreement and the one with Australia took over a year to get to a conclusion.

Q6 The Chair: I would quite like to move on because, in a way, you segued into one of the big issues that we have as a committee, which, as you will know because of everything we have written in our reports, is trying to look at these deals without having a comprehensive framework of what you are trying to do. Is it the cumulative effects, is it simply free trade and more competition, or are there other aspects to trade, and how does the trade policy that you are doing in your department fit in to our foreign policy, our development policy—which I know is close to your heart—our defence, our whole international relations, and, indeed, how you see trade? Is it simply about more free trade or is it about the environment, human rights and workers?

Without your articulating a trade policy, we are finding it quite difficult to do our job one by one. We are really interested in what the barrier is. Why can you not set out what we and others would like, which is a comprehensive statement about what you are trying to achieve in your bit of government that covers trade?

Anne-Marie Trevelyan MP: That is such an interesting question, and it partly goes back to the fact that we are all new to this. You are a new committee, and this is a new part of the Government's tools. We have always done trade and supported businesses to trade, and over the last 40 years bits of trade have sat within various parts of government, but it has been a relatively passive part of the government toolkit because the EU was in charge of the policy. Now we have an opportunity to rocket-boost that and be a key part of UK businesses' demands and support requirements to help them to do more trade.

We are believers in free trade, and we have always championed free trade as a country, going back hundreds of years. We now have the opportunity to do that again. As Crawford said, it will look slightly different from the EU model. It will be slightly less protectionist and more free trading because we have absolute confidence in the quality of our goods, services and innovation. Four in 10 of the world's best universities are in the UK. At every level, we know that we are world-class, and we want to make sure that we use our trade policy to enable economic value to come from that.

Importantly, on your question about where this sits, of course it is an integral part of all that we do. The focus that we have given to the FTAs that I am negotiating this year fits very firmly within the direction set by the Integrated Review. Whereas historically we have done five-yearly strategic reviews, the Prime Minister said, "No, we must look at this holistically", so the Integrated Review had around the table as it was

then, me as the DfID Secretary of State, Liz Truss as the DIT Secretary of State, the Defence Secretary, the Home Secretary and the Foreign Secretary at the time. Five of us brought together that holistic thinking about what the EU was doing with all these tools and what was important for the UK, in terms of both defence and our role in the world—as a leading champion of free trade and the rules of trade, and, in defence terms, with the Royal Navy keeping the shipping lanes open. This is a completely integrated way of thinking, and we are now able to hold and use all those tools ourselves as a Government to set those strategic directions.

Trade policy is, in and of itself, an integral part of what was set out in the Integrated Review. In my view, what it cannot be is, if you like, “Well, here’s the book, Crawford. You can only do a trade deal like this. If it doesn’t look like that, it isn’t a trade deal”. Every country is different. As we grow our trade agreement book—our collection of free trade agreements—each one will be with a bilateral partner. Every country is in a different place. Our India trade deal will be as good as we can negotiate with India, which has a completely different economy. By definition, it is different in so many ways from a trade deal with Iceland or with Australia.

In my view, to have a textbook that says, “You must do a trade deal and it must look like this”, will only slow down and reduce the opportunities for us to do what a trade policy is supposed to do, which is to make it easier for our businesses to find new trading opportunities and to move those investment flows as easily and as safely as possible so that the UK can see that economic advantage.

When we look at the work that the Foreign Secretary is doing at the moment, setting out new defence and economic partnerships with many countries around the world, we see that trade is a part of that whole. As we build strong strategic bilateral relationships country by country, now that we are free to do so as an independent sovereign nation, trade is at the heart of that in a very practical sense.

To answer your point, not only do we give a broader direction and voice to what we consider our values to be regarding human rights, forced labour and so on, but we literally led the world last year on the challenges to the climate change emergency. All those broad areas of policy and the leadership that the UK gives in the world constitute the policy framework. That is where the Foreign Office can give the lead, and the Integrated Review set the anchor. Trade and the trade tools that we have and are continuing to grow are part of enabling those relationships to be deepened because we know that, when you have a deeper trading relationship with a country, your ability to have conversations about those broader issues is stronger. You have a good bilateral relationship that everyone wants to invest in.

The Chair: I think you may have misunderstood the question. Clearly, we are people who agree that trade is absolutely central to all of this. We would not be sitting on this committee otherwise. I certainly was not

thinking of a trade policy as being a handbook about how to do each one. It is about what objectives fit into the broader thing.

Q7 Lord Kerr of Kinlochard: You mentioned, Secretary of State, the Integrated Review, but it does not say a great deal about trade, to be honest. It says that our trade policy will be values-based. We are trying to work out what that means in relation to particular agreements. In the context of the Australia agreement, we were puzzled why we did not press harder, given what we had been saying at COP 26. We realise that the Morrison Government were a bit sceptical on global warming. Why did you not wait for the Albanese Government?

We are now wrestling with trying to write a report on India. You have reaffirmed this morning that the aim is to complete a comprehensive free trade agreement with India by the end of October. The values-based trade policy in relation to India takes no account of India's stand on Ukraine. India has refused to condemn Putin's invasion or to join international sanctions against Russia. It is increasing its trade with Russia and obviously sees this as an opportunity.

Is trade in a watertight compartment, separate from such considerations? You have just said that having a good trade relationship provides a basis for a wider dialogue with countries. I agree with that, but does that mean that, in relation to China, for example, we should try to develop a closer trading relationship in order to be able to say something about the persecution of the Uighurs? Do you agree, as most of us would argue, that the persecution of the Uighurs is an argument for going a bit slow on deepening the trade relationship with China, and perhaps linking it to wider foreign policy and defence development issues? We want to see the linkages, and it would be incredibly helpful if you could produce a document that sets out how trade policy links to wider foreign policy.

Anne-Marie Trevelyan MP: Thank you, Lord Kerr. We have already done a first iteration of that in the Integrated Review, although it is perhaps the other way round to your request. I hear your request, but we have set it out in the broader context.

You make an interesting point in relation to India's position on Russia. The Indians have taken their position cognisant of their existing situation and relationships. We have made our views on that clear through the usual diplomatic channels. Perhaps you would suggest that we should stop the FTA on the basis of a disagreement in a Foreign Office space. That is a choice. It is my view and that of the Prime Minister that at the moment we should continue with the trade negotiations that are specific to making business flows easier to do, for the opportunity for both economies to grow and to build—

Lord Kerr of Kinlochard: I am not suggesting what you should do, Secretary of State; I would not dare. But it seems to me to be odd and to need some intellectual justification if you take the biggest geopolitical issue of our day—the invasion of a European country by Russia—and you say, "We'll ignore that when we're doing trade policy. Trade is an end

unto itself. It is a watertight compartment, and we will just steam ahead and get the deepest deal we can do with these Indians by October". That seems a bit odd, and you need to set out intellectually why that is your view, if it is. I do not believe that it actually is. I think there is a disconnect between trade policy and foreign policy, and that is deeply dangerous.

Anne-Marie Trevelyan MP: If I may finish my sentence, we are working within the wider partnerships being led by the Foreign, Commonwealth and Development Office around those deeper, economic defence partnerships. The Foreign Secretary has led one with India. One of the issues with India, of course, is that it is deeply connected through its defence systems with Russian equipment, and we are keen to help it to move away from that. Of course, in its bluntest sense, that will be trade. It is also, of course, very important in a geopolitical sense and, if the Indians are minded to shift away from that, we wish to be a partner of choice for them, because we believe that we bring, within the military space, all the sorts of positives that you and I know well. So, this is a much broader piece.

In and of itself, the FTA is indeed a tool of trade, as you put it, and we want to continue to build that and see whether we can build one that is enabling and that is good for UK business and for investment flows so that we can have a stronger relationship in that sense. I would not suggest that to stop it in its tracks would be the right thing to do, and I am glad that you agree with me. Those discussions continue in a very technical, trade negotiation way, within a much broader envelope, and with all the work that the FCDO does in many other ways. As set out in the Integrated Review, we want to build relationships with a number of key countries in areas of the world where we have not historically had them, because we know that they are geopolitically important for the 21st century.

This is very much part of a wider piece, but in regard to the trade negotiation in and of itself, notwithstanding the point I made in response to Baroness Liddell about an environment chapter, I am keen—you all know my particular interest in COP 26 last year—to make sure that we are using our trade tools to help other countries around the world to meet their own climate challenges themselves.

Your point about the Morrison Government is very interesting. We worked very hard to embed an environment chapter in the Australia trade deal. They had never made any sort of commitments within the trade space—on your point about this being a stovepipe activity—so this was a really big departure for them. The Morrison Government were able to bring a net-zero commitment to COP 26 in Glasgow in November, which probably took quite a lot of people by surprise. He put a lot of political capital on the line to do it, and achieved it. Might we have waited for the next Government? It might well have been another Morrison Government. I am not sure that that is how I can make trade policy. I wanted to deliver a good trade deal with Australia, which I believe we have done, in which

there is a really good statement of mutual commitment to the Paris Agreement.

The Albanese Government are now working on that and setting out in more detail what their road to net zero looks like. That is really exciting, and I hope that British businesses will be an integral part of helping them to do that. Once it comes into force, having the trade deal in place will make it much easier, as I mentioned earlier, to have a flow of business expertise—our human capital—and service skills, and it will help all the technical businesses to move and make the changes at pace that they will need to meet their own net-zero challenge. The trade agreement is, if you like, an anchor for all these things. We will continue to do that.

We are not looking to pursue an FTA with China at the moment. If we can make progress on some basic market access barriers in a regular conversation, that will be a great start. We have been doing that with India for a number of years now. It is our benchmark of whether this is a country that wants to work with free and fair trade rules with the UK and, if so, that is an opportunity and a stepladder to move towards a trade deal. At the moment, there are a number of key issues in terms of market access barriers with China that we are looking to unlock, and we hope to make progress there. These are done very much in a broader political context.

The Chair: We have a couple of supplementaries before we go on. On China, if we join CPTPP, the first thing on the agenda once we are a member will be China's application. We will have to have a policy, and I just hope that we will be able to see it before some of those difficult decisions are taken.

Anne-Marie Trevelyan MP: If we are invited to accede to CPTPP, which I hope we will be in due course, we will be part of a trading bloc with a very clear set of rules and regulations. It feels a bit like we are being put through the wringer, in the nicest possible way, as we are tested using its accession programme, which has never been tested before; we are the first to be put through it. That framework is there, and any other country that it chooses to invite to accede—which will include us if we become part of that family—will be expected to meet all those rules and regulations. Any country that does not or is not able to demonstrate that it works to those rules is unlikely to accede. There is no order of invitation to accede—that is not how it is set up—but obviously we are not yet part of the CPTPP family.

The Chair: But the point is not just about the standards of CPTPP; it is these broader issues.

Anne-Marie Trevelyan MP: They are done on a regular basis by the Foreign and Commonwealth Office, as we know, and we continue to lobby on all areas, such as human rights and forced labour, through many of the multilateral fora that exist for that, and through diplomatic channels in the usual way.

Q8 Lord Watts: Secretary of State, it is comforting that you say that trade talks are linked to foreign and defence policy and other policies, so there is an overall government strategy when they are doing these deals. However, the committee would like to see how that is brought together. There is an absence of understanding, and until we see it more clearly, in black and white, we find it difficult to assess whether it is hot air or whether it has real substance. If your department could produce something that we could see and understand, and against which we could judge trade deals, that would make some progress for us. At the moment we hear a lot of hot air from departments about what they are in favour of, whether it be human rights or climate change action, and we do not know how that fits into a trade policy. As a committee and as a Parliament, we would very much like to see some more details and openness around that subject.

Anne-Marie Trevelyan MP: I take the challenge, but I would refer you to the whole-of-government perspective, including the Integrated Review, which was, if you like, a big anchor set last year, and all the work and engagement that the FCDO does country by country. Indeed, the partnerships that are negotiated and achieved set the umbrella of the new relationships that we want to build with particular countries. That ongoing partnership work is the anchor that enables other departments, of which trade is one, to then work with the country in a holistic way. I suggest that you invite the FCDO teams to come in, on any number of country bases, to look at the partnership agreements that they are building at the moment, of which trade is one part, and the strengthening of relationships.

Lord Watts: But we would like to see how each of these trade deals fits into that policy. We would like you to produce something that says, "This is our policy. This is what we have achieved. This is what we have not achieved".

Anne-Marie Trevelyan MP: At an FTA level, we have set the key countries that we will work with to try to achieve much deeper trade relationships as a result of the broader cross-government choices that are set out, as I said, from the Integrated Review anchor. That is the starting point for the work that we as a Government are progressing at the moment across the board. It involves not only us but the DCMS, for example, in terms of data and online security. We all work together in a whole series of areas. Within the FTA, we are the central point, if you like, but we have Defra and DCMS experts working in our teams. We are the central part of all the areas where the whole of government has set out, through the partnership arrangements and the wider clear geopolitical choices, that these are the countries in which we want to invest most time and effort, for economic and wider reasons.

Lord Watts: I am sorry to interrupt, but you do not see the gap—what is missing. When you sign an agreement with India, New Zealand or Australia, we would like to be able to judge it against the Government's overall policy. There does not seem to be an assessment of that, or a clear indication of the success or failure, for us to judge whether that

trade deal has met the Government's targets and aspirations.

Anne-Marie Trevelyan MP: Let me take that away. The work that we are doing at the moment with Australia, New Zealand, Canada and Mexico is all part of our really important Indo-Pacific tilt focus. I will take away the challenge. Perhaps, she says with her fingers crossed, when the CPTPP accession is achieved at the end of the year, that will give us a very good opportunity to say that we are going to stand up and ask whether we have met part of that Indo-Pacific challenge. I am very happy to take that away, but to do it on an FTA-by-FTA basis is not really the point. When I say that this is a fluid and developing programme, that is exactly what it is.

Sadly, we are unexpectedly spending a huge amount of time on Ukraine and supporting the Ukrainian economy. We have stripped away so many areas so that the FTA is completely liberalised for Ukraine. We have shifted what we had as an existing relationship for geopolitical reasons. That was an urgent requirement. Its economy now needs sustaining, not only because it is in a war but because we wish to make a very clear statement to the world that the UK stands firmly alongside a country of importance that is defending its democracy and freedom. That is what we are doing. We are helping it in a military sense, of course, but we have also been doing a huge amount of work around that with the FTA, the liberalisation of tariffs and helping it with steel tariffs. There is a whole series of things that we hold within trade, but it is part of that overarching message that the UK will stand firmly alongside Ukraine and support it in its battle.

The challenge of whether we do that as we go along or pre-emptively does not really answer the question, but in terms of the Indo-Pacific tilt and the question of whether we are meeting the challenge we set ourselves, that is a very fair challenge. I would suggest—hold me to it at the end of the year or once we have acceded to the CPTPP—that that would perhaps be a good point to look back and ask whether we are reaching out and doing what we hoped to achieve. That is a very fair challenge.

The Chair: Part of this is that we want to know what you hope to achieve across the piece, if you like. We will look at each FTA as it comes along, but it really is quite hard without that overarching bit. That is really what you are hearing.

I will just say one thing before I bring in Lord Oates. We work very differently in this House from the one you are familiar with. We do not look department by department; we are cross-department. That has been the great difference in our Select Committees. In one sense, that is what has come out of this discussion. All these different departments are coming together, but we are interested in a less siloed approach, and it is quite hard to get a handle on that. Your people have very nicely given us more time, but we still have a lot of questions, so I will go now to Lord Oates.

Q9 Lord Oates: Thank you, Secretary of State, for being with us. I want to pick up on one of your responses to Lord Kerr's question in relation to the environment chapter and the Scott Morrison versus Albanese Governments. I am sure that you are right that the environment chapter was quite an achievement for such a climate-hostile Government as Scott Morrison's, but clearly we have a more ambitious Government now.

Our report on the Australia FTA, which I hope you will have seen, called for further work on the climate and environmental provisions. Do you intend, as we would urge you, to use the joint committee procedure in the FTA to push ahead with that, and what steps are you taking at the moment to revisit that climate and environmental chapter with this more ambitious Australian Government?

Anne-Marie Trevelyan MP: At the moment we are trying to bring it into force—that is stage 1. The Australians are doing their part and we are doing ours. Once it is in force, the joint committee will then come to life and below it will sit a number of dialogues, which we want, and which are built to be live and growing opportunities. It might be anything from a small tweak of a regulation agreement to wanting to be much more broad-thinking in setting out a series of particular areas in trade, such as the environment and sustainability, or whatever it might be. That is absolutely where the dialogues will have the opportunity to bring this together and to move it forward.

Were it at a point where we needed to bring in new regulation, we could do that through secondary legislation—as could they. That is exactly where those dialogues and the discussions come in. Let us get it up and running, and working, and see how these trade tools can help us both, as we work towards our net-zero agendas and work together as countries to drive that. I have no doubt at all that British businesses—world leaders in any number of areas in the net-zero and green-trade space—will be hurtling across to Australia to help them, bringing investment opportunities so that our UK businesses can grow as we take that technical skill to help them. That is trade at work.

We do not need to be mandating it anywhere to do that. We agree that this is an area of policy that we want to work on. Businesses will go and do the bulk of the delivery of changing technologies so that there is clean energy, and we look forward to seeing businesses do that. The way it works is that businesses come to us and say, "This is really difficult. It is really hard to do X or Y in this country, because there is this barrier". If our green trade businesses start to say, "We're struggling. There's an issue here", we will bring that to the joint dialogue and have the opportunity to discuss with the Australian Government whether and why there is an issue, and if there is a need to do something to unlock it we will work together to do that.

This is very gritty in a practical sense. The door is open, and the environment chapter is very clear. We want to work together in this space, and if the Albanese Government and Australian businesses see the opportunities there, they will take them. The downside risk will be if UK

businesses want to go and do more in the green technology space and find that they cannot. Then we would want to raise that through the committee.

Lord Oates: Given that by your own description the environment chapter in the New Zealand agreement is significantly more ambitious, would it not make sense for somebody to pick up the phone, perhaps to your new Australian counterpart, to say, "Clearly, you have a much more ambitious agenda here, and so do we. We got what we could out of the predecessor Government. Once the FTA is in place, can we ensure that we will use the joint committee to meet the ambitions that we have in the New Zealand agreement?" Would it not make sense to have that sort of conversation?

Anne-Marie Trevelyan MP: They are different. In the environment chapter in the New Zealand agreement, we specified the liberalisation on roughly 100 goods and services.⁴ Am I right, Crawford?

Crawford Falconer: Yes.

Anne-Marie Trevelyan MP: They were specifically identified because that is how New Zealand wanted to do it. We have total liberalisation with the Australia deal, so that is not relevant in environmental goods and services, because they are liberalised from a tariff perspective. They are different chapters in that sense. Both have a commitment to Paris, articulated in a slightly different way. I want to see businesses able to help bring their skills to meet the challenge. These are industrial solutions to meet these challenges. That is where our businesses take the opportunity.

I absolutely hope that, if they come across problems, the joint committee and the dialogues around the environment will be able to discuss and think about how we change that. At the moment, let us crack on and use it, and see whether there are barriers to its development. This is not the forum to demand that Australia go further on its net-zero strategy. What we will do is help UK businesses that see an opportunity to help invest and grow new technologies to do so. If that becomes a barrier, clearly there is an issue. Both Governments are committed to meeting the net-zero commitment by 2050, as are, fortunately, the vast majority of countries across the globe now. It is doing it that is difficult, and it is business that will deliver it.

Lord Oates: With respect, the New Zealand agreement is different not just in terms of tariff liberalisation but in being much more ambitious on climate and the environment in general. For instance, it has things on fossil fuel subsidies that are simply not in this. Across a broad swathe, trade policy is being used in relation to the New Zealand agreement to advance our—I hope—mutually beneficial objectives in this sphere. Clearly, the old Australian Government would not agree to that, because they did not have the same views as we did. There is now an opportunity

⁴ Post-meeting clarification: in the New Zealand agreement, roughly 300 goods and services were liberalised.

to advance our goals through trade policy. It seems relatively simple to me. All we are asking is, would it not make sense to have that conversation with the Australian Government and see whether we could use the procedures within the agreement not to insist that they do something that they do not want to do but to agree to do something that will be mutually beneficial?

Anne-Marie Trevelyan MP: I think we are in violent agreement. That is exactly what it is there for, and if our businesses find that the areas that have not been—

Lord Oates: Will you do it? This is not about business; it is about the Government's net-zero policy. Will you act and talk—

Anne-Marie Trevelyan MP: We are not going to use our trade policy to tell them how to write out their net-zero strategy. We see that the Albanese Government are looking to do this at greater pace than the Morrison one was, and they are free to do that. We are not here to tell other countries how to deliver this; that is not our purpose. We work together, and in multilateral fora we try to set the framework to drive, for instance, poor subsidy use into better subsidy use so that we are delivering better sustainable agriculture. As I said, there is a whole series of areas, and the joint committee will be there, exactly as you say, as the mechanism to discuss them. If there are barriers to trade for our businesses—which are perhaps further ahead in being able to deliver and meet net-zero technologies—we will absolutely bring them to the table and discuss them.

By definition, this is an anchor from which businesses grow. As the Australian Government set their more ambitious net-zero strategy and make their choices on how they support business to do that, we will have the opportunity for UK businesses to help them meet that challenge. If there are barriers, we will look to challenge them, because—I agree with you—we are very focused on helping other countries to do that using our trade tools.

The Chair: What you have basically said is that this is only about where we can help our businesses help them. It would not, for example, say, "We'll be more reluctant to buy your beef if it is as a result of deforestation". I am no expert.

Anne-Marie Trevelyan MP: We will not buy anybody's beef that comes from deforested land; we have laws about that, Baroness Hayter.⁵ That is really important. We are already clear that that sort of stuff cannot happen.

The Chair: Well, not quite. The point I was trying to make was that you

⁵ Post-meeting clarification: The Government is working on due diligence legislation under the Environment Act which will make it illegal for larger businesses to use forest risk commodities (such as beef) that have not been produced in accordance with relevant local laws.

do not seem willing to say that we will use trade to help, encourage or push another country to stop hot-branding its animals, for instance. You know all the things like that which have been raised. I think you are saying, "We will help them if our businesses can help them go greener", but, given the opportunity of a new Australian Government to maybe ask for less hot-branding or mulesing of sheep and all the things I have just learned about, I think you are now saying, "No, we won't use our trade to encourage them to move that way".

I do not need you to answer it yet, but it seems to me that that is part of what we were talking about earlier. Therefore, a trade policy that will describe or at least hint towards the extent to which you are willing to use trade is really what we are looking for. I am repeating myself about that framework. I am very keen that we go back to India, on which we have three critical questions. One of them comes back to the broader framework. Lord Lansley wants to ask a question; it is about India but, again, it raises a broad issue.

Q10 Lord Lansley: Secretary of State, I am very glad that you and Mr Falconer have joined us this morning; thank you for being here. You know the importance that we attach to the negotiating objectives and our opportunity to report on them as a mechanism for accountability and scrutiny to Parliament. It really rests on the clarity with which the negotiating objectives are expressed.

The question of investor protection is a case in point. It is expressed as an objective, but the mechanisms are not described. In particular, of course, over a number of years there has been a debate about whether we would seek investor-state dispute settlement as a part of our future free trade agreements.

As a committee, we have looked at the question of whether ISDS should form part of the relationship with India. When you look back at some of the experiences of British businesses in investing in India, the risks they run and the disincentives to being investors into India, it becomes a case in point that, if we are ever going to ask for ISDS, we would do it here. But nothing in our trade policy tells us whether we have an objective of seeking independent investor protection or we are relying solely on the non-discriminatory provisions in domestic legislation in the countries that we do deals with. What are we actually looking for in terms of investor protection and ISDS?

Anne-Marie Trevelyan MP: Thank you, Lord Lansley. This is a really important area. Clearly, ISDS is an effective tool where we need to resolve investment disputes. The Government absolutely recognise the importance that it can play in protecting our investors abroad.

I think we are party to about 90 bilateral investment treaties, which include ISDS with a number of countries as things stand at the moment. We have never had a successful ISDS claim against the UK, because we are a good, safe and trusted place to invest, but we have many in the system already.

On my earlier point about each FTA having been negotiated separate to any bilateral investment treaty, within the FTA space, if we consider that it will be in the UK's best interests, and where we agree with partners that it could serve a useful role in supporting the bilateral investment relationship, we will look to negotiate one, but obviously they work within the existing frameworks.

Again, we do not have a set-in-stone yay or nay. We will continue to look at this piece by piece, as we always have done. I do not know, in terms of the practicalities, whether Crawford wants to pick up on—

Lord Lansley: Sorry, if I may, I will just say, as a case in point where India is concerned, that the negotiating objectives do not say whether we are looking for an ISDS with India or not, so when we are reporting on the negotiating objectives, we have to raise those questions.

Anne-Marie Trevelyan MP: Do you want to pick up on the detail, Crawford?

Crawford Falconer: Sure. When we are negotiating with India, as in any negotiation, some things are inside the tent, as it were, until you get some resolution. There is no question that, when it comes to India, we would like to improve the stability of investment opportunity in India. How we do that is something for the negotiation.

As the Secretary of State has said, we will do ISDS on a case-by-case basis, and there are some situations in which ISDS might, on balance, be the answer. In theory, it might, on balance, be the answer in India, but we do not know yet. It depends on what we can negotiate with India, and how the balance of an overall deal looks.

As you may be aware, we had a bilateral investment treaty with India that had investor-state dispute settlement in it, and it was considered very valuable by commercial operators in India. But India renounced that bilateral investment treaty. It still applies for 15 years, I think, so it still has some effects, but it has walked back from it. As you can imagine, it will be quite challenging to say to India in this negotiation, "Actually, we would like you to reverse what you have already reversed"—but, because it is important to business, we are negotiating it.

It is important to have flexibility at the start of a negotiation—which I know is frustrating for those of you who want to look in detail at it—not because everybody wants to be secretive but because, pragmatically, in the negotiation it is quite handy not to have declared your hand up front and publicly on everything. By having a certain degree of flexibility, you create uncertainty for the other party about what the bottom line is that you really need. It will be an unsatisfactory answer for an ongoing negotiation to some extent, but one of our priorities is getting the stability that makes a difference to why investors would feel more secure investing in India. In theory, ISDS is out there as one of the possibilities with India. Ultimately, that decision will depend on the balance of the negotiation, frankly. I cannot be any more explicit than that. That is how

we have dealt with others. For instance, in CPTPP, it is in the agreement. Therefore, if we want to join, we will have to have ISDS in that agreement.

Lord Lansley: Yes, absolutely. I will just leave two points on the table, as it were. First, when we are reporting on the negotiating objectives, as we are intending to do shortly on India, the clarity you can put into the negotiating objectives is helpful because we are trying to establish an understanding for Parliament of where those bottom lines lie.

Secondly, the European Union, for example, has very explicit policies in relation to ISDS and its own mechanisms for how it would like to establish them. I am not suggesting that we do that, but when we are talking about understanding the trade policy, it is understanding things such as the UK Government's approach to ISDS, how we would like to see it achieved, whether we support UNCITRAL on this, or whether we have other mechanisms such as independent arbitration. Understanding the context in which we would approach ISDS is, as a case in point, one of the things that we are looking for from a trade policy strategy.

Crawford Falconer: I absolutely understand that, but you will have noticed that we did not end up with ISDS with either Australia or New Zealand. That was effectively a pragmatic judgment: what additionality would we get out of ISDS with Australia and New Zealand?

However, this is a negotiation and, as it happens, Australia and New Zealand do not like ISDS very much. Sometimes, you want to create uncertainty. You think to yourself, "Okay, we do not really want ISDS out of Australia or New Zealand. It is not a big ask for us. On the other hand, there are a lot of things we want out of them and, more importantly, there are things they want out of us that we do not want to give them, so let's pretend that we need ISDS, because it's tradeable".

I use that in the abstract—I am not trying to evade your basic point, which has a certain validity—but there are situations in which, for negotiating purposes, you have to retain that uncertainty. That is not just because of the narrow confines of the issue—in this case, investment—but because you are dealing with an overall negotiation, and you want to create uncertainty in your trading partner as to what your real objectives are and what you will and will not pay for. I am not saying that that is always the case. Sometimes we nod—it does happen—and we need to be kept up to the mark for that, but sometimes it has a purpose, and sometimes that purpose cannot be expressed at the beginning.

The Chair: The quote of the day is: "ISDS is tradeable".

- Q11 **Lord Morris of Aberavon:** Secretary of State, welcome. My question is specific. It has been reported that India is demanding an exemption for its workers in the UK from making national insurance contributions, but this is not mentioned in our negotiating objectives. Is that right, or is it wrong? Furthermore, if it is right, what are the repercussions as regards other countries' workers who are here on a short-term basis?

Anne-Marie Trevelyan MP: Thank you, Lord Morris. Yes, indeed, there is much discussion about lots of things that might or might not be in the discussions. Clearly, if we step back from the detail, we will not discuss live negotiations that are going on at the moment, and you will understand why.

In relation to ISDS, Crawford has just set out some of the reasons why, as with any negotiation, it is about finding the best outcomes that we can for the UK with the mutual benefits that everyone gets. Of course, the trade agreement in the round has the opportunity to supercharge the growth of our trading regime with India—already at £24 billion—and to forge a modern FTA, as we have discussed.

As you know, and on Lord Lansley's point, we set out at the time of launch what we are seeking from the deal. Overall, we will need to get to the right place. In terms of the details about potential policy areas that sit outwith the trade agreements, those negotiations would go on as well, but obviously I will not discuss in detail the overarching negotiations that we are doing.

I have discovered in this role, Baroness Hayter, that everyone has an opinion on what we should or should not be doing; it is absolute from every party, and they are invariably almost entirely opposing. In Crawford Falconer we have one of the world's leading trade negotiators, who helps steer our fantastic team of trade negotiators as we balance quietly within the negotiating rooms what will give the UK overall the best opportunities to grow our economy and to build relationships more widely with the country in question.

These are all issues in the mix. We are obviously focused on trade areas, but with New Zealand there was a separate Home Office agreement for a youth mobility scheme. Prime Minister Ardern was over just a couple of weeks ago from New Zealand and she was able to sign that mobility agreement with the Prime Minister. It was not a DIT negotiation; it sat with the Home Office because it is about the movement of people.

These issues are going on in the round. I am afraid that I cannot give you more detail than that at the moment, but we will be looking to land a deal and we will not agree to one until we have something that has real substance and brings really good value both to the UK and to India, which will want something that brings growth to India. We meet well in how we work together in mutuality terms to get a much stronger economic outcome. That will of course involve people. When we talk about services, it is all people; it is how people's skills get shared so that we can help grow our economies. But I am afraid I will not discuss in detail what that looks like at the moment, because my negotiators would not thank me for it.

Lord Morris of Aberavon: Forgive me, is the report right or wrong?

Anne-Marie Trevelyan MP: As I said, I am afraid I will not discuss it. People have very strong opinions on what is definitely going on and what

is definitely not going on, but I am afraid I will not accede to anybody's particular view on what we may or may not be doing. We will carry on. The framework set out in the public bundle sets out the breadth of discussion on what we are seeking, and we will work with the Indian negotiating teams to achieve a really good deal.

The Chair: There are two questions that I would really like my colleagues to ask. I know you are almost out of time. If they could ask both of them, you could give a joint answer, which might be helpful to you, because they are both about some of the information that we get.

Q12 **Lord Oates:** As you know, although the impact assessment that accompanied the FTA had information about greenhouse gas emissions, particularly UK production emissions, it excluded transport-related emissions, which are obviously quite key in trade, but UK consumption emissions and the issues around carbon leakage were touched on only very lightly. I wondered whether for future agreements you would consider producing a more in-depth environmental impact assessment. Given that you have set out throughout the hearing today the significance of trade agreements and pushing forward our climate and wider biodiversity objectives, I wondered whether that might be something you might consider in future.

Q13 **Baroness Liddell of Coatdyke:** I want to go back to information provision. We have noticed that your round updates and joint outcomes statements, published after each negotiation round with India, are much less full than they were during the Australia and New Zealand discussions. Why is this the case? We find that they are extremely poor, saying only whether the discussions have taken place in a hybrid format and headlining what some of the subjects are. Is it worth doing if you are not going to do it right?

Anne-Marie Trevelyan MP: Thank you, Baroness Liddell. I do not know whether it is a matter of doing it right, but where we have ongoing negotiations, as Crawford set out, we are looking to find the right balance of what gives the UK a great deal that we know we can negotiate. There are areas where the fluidity of the negotiations is still ongoing, so we do not wish to bring that outside the negotiating room. We are keen to be able to give what information we can, and the teams are working at pace. The Prime Minister has set us this challenge to try to bring it all together by October. They are working at pace and there are a lot of issues all moving at once. No doubt, similarly, going forward, different negotiations at different points will have more or less information that we can share at that point. That will continue because that is the nature of the sensitivity of the ongoing negotiations.

In relation to the environmental impact assessments, we absolutely continue to recognise their importance. We have the scoping assessments as well as the full environmental impact assessments alongside the negotiated treaty text. The approach has been similar to the EU one covering that range of emissions, including carbon leakage, deforestation

and biodiversity. We will continue to work with the teams. We are building our methodologies and thinking about how we do that.

One of the things we have done is to implement recommendations from the trade modelling review on how to model environmental impacts alongside economic impacts; they have been included for the first time in the GCC scoping assessment. So we continue to move forward. All propositions in your reports are genuinely welcomed and received as we look at the tools we use to make the best decisions as we build this new programme. In the GCC scoping assessment we have included new modelling in a way that we had not previously.

The Chair: Lord Udney-Lister, is there any chance that your question would have a short answer?

Q14 **Lord Udney-Lister:** I will try to make it a quick one. Bluntly, I am very supportive of the India deal, but it is a really hard nut to crack. Your predecessor seemed a little more concerned about dealing with the whisky problem. Can you reassure us that we will get to grips with the business side of it: the problems of joint venture businesses, the equity flows and the difficulties that businesses have of just doing business in that country?

Anne-Marie Trevelyan MP: Yes, we are looking to achieve a broad and substantial trade deal that tackles some of the issues that have been brought to us. When we did the call for information in the earlier consultation, those issues were very clearly raised. As I said, we want to do a deal that is far beyond a tariffs trade deal only. We are looking to negotiate something much more comprehensive.

The Chair: Secretary of State, we are three-quarters of an hour over what you offered, for which very many thanks, and thank you to your colleagues for negotiating that. I think I am right in saying that there will be a *Hansard* report on this, and I am sure that your colleagues will rewrite your words if anything you said to us was not quite what you wanted to say.

Anne-Marie Trevelyan MP: They will tell me if they did not like what I said, but I am very comfortable with it.

The Chair: I am sure there will be no problem. We would like to take up your offer of talking again. What you said is right. You are on a learning curve and so are we; we all are. Some of us are old enough to remember when we did our own trade deals, but most people are not. We would like to continue to work with you and, indeed, your officials as we look at these agreements to see how you and we can learn from their content, and how we can do our job, which is reporting to Parliament on them. For the moment, I thank you and your colleague very much for your time today.

Anne-Marie Trevelyan MP: Pleasure. Thank you for having us.

Crawford Falconer: Thanks very much.

