

International Trade Committee

Oral evidence: The work of the Department for International Trade, HC 534

Wednesday 4 November 2020

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Members present: Angus Brendan MacNeil (Chair); Sir Mark Hendrick; Mark Menzies; Taiwo Owatemi; Lloyd Russell-Moyle; Martin Vickers; Mick Whitley; Craig Williams.

Environment, Food and Rural Affairs Committee Member present: Neil Parish (Chair).

Questions 92 - 183

Witnesses

I: Rt Hon Elizabeth Truss MP, Secretary of State for International Trade and President of the Board of Trade; and John Alty, Director General, Trade Policy Group, Department for International Trade.



Examination of witnesses

Witnesses: Rt Hon Elizabeth Truss MP and John Alty.

Q92 **Chair:** Welcome to the International Trade Committee. Our evidence session today is with the Secretary of State for International Trade and the Director General of Trade Policy at the Department for International Trade, Mr John Alty. If the witnesses want to introduce themselves further, they are more than welcome to. I believe that before we start our two-hour session, the Secretary of State would like to make a statement.

Elizabeth Truss: Thank you very much, Mr Chairman. It is good to be here to give an update on our trade negotiations as we continue our journey as an independent trading nation. This Government are determined to deliver tangible economic value for our communities across the entire country to renew and enhance trading relationships. We will also make sure that our trade is values-driven and presents the best of Britain to the world.

That is exactly what we have done in our deal with Japan, which as the Committee will know has been signed in the period since I last spoke to you. The Japan deal is a watershed moment for Britain on digital, data and services and in some areas goes beyond CPTPP. For example, it puts forward important principles like net neutrality and anti-data localisation. It helps advance manufacturing, including in parts of the country like the Midlands and the north of England, that will support livelihoods. It puts in place better arrangements for business travel, the creative industries and financial services. The food and drink sections protect tariff advantages and go further in the recognition and protection of iconic British products.

Some people said that we would not be able to achieve a deal as good as the EU because we were smaller. In fact, we have protected the existing benefits and gone further. We have delivered tariff reductions on the 99% of our food exports that are not under quota, currently worth over £130 million, including Cheddar cheese, beef and pork, which see tariffs reduced to 0%, 9% and 0% respectively over time. If we had not done this, Japanese consumers would be paying tariffs of 29.8% on Cheddar, 38.5% on beef and 4.4% on pork on 1 January. Again, this protects livelihoods and communities.

For the 1% or £1 million worth of exports that are subject to tariff rate quotas, for example Stilton cheese and cake mixes, we have secured access to the EU quota, which should have enough capacity until 2024, after which we have commitments for larger access under CPTPP. It is important to note that no importer will have to pay upfront and we have agreed a simpler process with Japan for access to the quotas than under the EU agreement. What is more, we have gone beyond the EU on rules of origin. These changes will allow up to £88 million of UK exports to receive preferential tariffs in Japan and so could increase the volume of trade in areas like textiles, confectionery and biscuits. We have also helped British importers get lower cost access to car parts and electronic goods, making



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our manufacturing more competitive and helping diversify away from riskier countries.

Today we publish four documents on geographical indicators, rules of origin, agri-food exports and digital and data to give more detail to those who are interested. We have achieved positive agreement on the environment and on women's economic empowerment, showing what we can do when we work with like-minded allies. I know that many members of the Committee share my deep commitment to these causes.

The overall benefits of the deal are estimated at £15 billion additional trade, but I don't believe this fully captures the opportunities of digital trade nor the impact of innovation. That is why we have commissioned Professor Tony Venables of Oxford University to update our trade modelling for the modern age. I also want to take a moment to thank again the patriotic team of outstanding civil servants who made this deal possible. Their hard work is historic and the benefits of their work will be felt across the country.

We are currently in negotiations with Canada, Australia and New Zealand, which will deliver further gold standard provisions. I congratulate the Government of New Zealand on their recent election win, which I hope will help pave the way to a deal. This month we kick off our latest round of talks with Australia. We are also making good progress with the United States and round 5 of negotiations has now concluded, putting us in an excellent position to continue talks once the final result of the election is known. Ultimately we want to secure access to the Trans-Pacific Partnership.

Together with the United States, this would provide unprecedented and deep access to over 40% of global GDP worth £27 trillion and because—down to TPP—of common rules of origin, common standards on services and tech and a common rules-based approach, this would be more than the sum of its parts. It would mean freer trade for British businesses and more resilient supply chains backed by a strong trade agreement. This, Chair, is the beginning of what independent life will look like. This is the UK helping set global rules with like-minded democracies.

Q93 Chair: Thank you very much for that, Secretary of State. The time is 14:38. We have two hours, and we will have a Division, I understand, at around 15:15—

Elizabeth Truss: I am just checking with my private office that I have been slipped from this, otherwise I could be in some difficulty.

Chair: I think members of the Committee are off to the Division anyway, so we will have to suspend. Westminster still prefers you all to walk there rather than to vote in a matter of a few seconds, so we shall have to respect that.

Secretary of State, that was interesting stuff there. It sounds good; 99% of products will be under different rate tariffs so you will be undercutting the EU's tariffs. Will they be facing tariffs?



Elizabeth Truss: What I was saying is that 99% of our agri-food exports are not under quota, and neither are the equivalent exports from the EU. The Japanese don't have quotas on either us or the EU for products like Cheddar cheese or pork or beef. The point I was making is the tariff rate quotas apply to £1 million worth of exports, which is where we had the specific discussion with Japan, making sure that our exporters of products like Stilton cheese and cake mixes continue to have access to the Japanese market, but I am putting it in context. It is 1% of the overall agri-food exports and that, by the way, excludes Scotch whisky, which would make the number even bigger. This is excluding alcoholic beverages.

Q94 **Chair:** I am tempted to say the assets of Scotland are not insubstantial, but we will leave that one at the moment. The Cheddar doesn't have the tariff of 29%, they don't have the 38% on beef and they don't have the 4% on pork, I think you said. How does that differ from what the UK was enjoying under the EU?

Elizabeth Truss: Those tariff reductions are exactly the same as the EU has on those products. If you recall, Chairman, prior to us securing the deal with Japan, people said we would not be able to get equivalent terms to the EU because we were a smaller country and we did not have the same weight in negotiations. It is an achievement that we have been able to get the same terms on all of those products, covering 99% of our agricultural exports.

Q95 **Chair:** Some commentators—they might be very cruel commentators; who knows?—have questioned the extent to which the UK-Japan agreement differs from the EU-Japan deal and have suggested that the Government, heaven forbid, are overselling this agreement. How do you respond to those charges, Secretary of State?

Elizabeth Truss: The areas in which the Japan agreement goes further than the EU are areas where Britain has a very strong comparative advantage. Data and digital, technology, services, mobility, the creative industries and also protection of geographical indicators are where it goes further than the EU, and also rules of origin. If you look, for example, at the data and digital chapter—and this is the area that Tony Venables is going to be working on for us—that has huge benefits. A recent study by the Independent Trade Commission in the United States suggested the digital trade chapter of USMCA, the US-Mexico-Canada Agreement, was the most valuable chapter in the whole agreement. We are a strong player in data and digital; we are third in the world for billion-dollar tech companies after the US and China. This is a hugely strong additional benefit that we would not have had as members of the EU.

Q96 **Chair:** To clarify, the GIs list on the agreement is basically the same as the EU agreement, with an extra paragraph at the end. It is not automatic either. It is: you apply for your protection in the Japanese market, as the EU does. Is that correct?



Elizabeth Truss: It is very different from what the EU has on geographical indicators. What we have agreed with the Japanese is there are roughly 55 Japanese products that they want to have geographic indicator status in the UK. We have roughly 70 products we want to have recognition of in Japan. Both of those lists will go forward to the relevant domestic authorities. Those products will only be able to be turned down if there is a relevant domestic competitor. For example, if there turned out to be a Cornish clotted cream producer in Japan, they would legitimately be able to challenge the process, but we don't expect that to be the case.

Q97 **Chair:** How does that differ from what the EU does?

Elizabeth Truss: It is automatically going through that process where the only opposition can be on the basis there is a domestic competitor. The EU does not have that agreement. It currently has 3,400 geographical indicators. If it wants to get a new one approved in Japan, it would have to negotiate that on a case-by-case basis with the Japanese authorities before it went forward to the domestic process.

Q98 **Chair:** You are saying that if there is no domestic competitor, it is automatic that the UK GIs go through?

Elizabeth Truss: Yes.

Chair: I imagine that Stornoway black pudding is straight through into the Japanese market with no hiccups or problems.

Elizabeth Truss: We have been assured by the Japanese authorities that the process will take five months. This is a reciprocal agreement so we have also agreed that the list of the Japanese GIs can go forward to the new process, but I think it is very unlikely there is a UK domestic competitor for dried persimmon, for example, which is one of the Japanese products that they want to get on to our domestic register. The opportunity here is that because Japan has 55 products that they want to get on to the UK GI register and we have 70 products we want registered in Japan, there has been a reciprocal agreement that those can automatically go forward and through the domestic process. With the EU there are 3,400 GIs and, frankly, the UK GIs were not in the front of the EU queue.

Q99 **Chair:** On the quotas—and I am sure other members will be interested in this as well—in the past we were basically an adjunct to the European Union's bow wave. The European Union comes in, takes the quotas, and if there is any space left the UK comes in on the wake and takes up that slack. It was explained to me like this: in the past, in the EU all the members would dine at the table, including the UK at one stage, but now the 27 will dine at the table and whatever is left in the quota will be available up until 2024 to the UK—the crumbs off the table, really. How do you respond to that?

Elizabeth Truss: As I have said, these products covered by quota represent 1% of the UK's agricultural exports to Japan, so of course they are important but we need to put it in context that they are 1% of the



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overall agricultural exports to Japan. In each case we have been very carefully looking to make sure there is enough capacity in those quotas to bridge us forward to 2024, by which time we want to have joined the Trans-Pacific Partnership, which has access to bigger quotas. If I give you one example—

Chair: No, it's okay.

Elizabeth Truss: I just want to answer this question about the quota. Currently 47% of the soft cheese quota, which Stilton is eligible for, is utilised, so there is significant space in that quota to get us over.

Q100 **Chair:** Yes, I understand that. In practical terms it might not matter, but what does seem to have been conceded in the negotiation with Japan is that the elephant in the room has been the EU. The UK has accepted that the elephant in the room is the big beast, and the principle of this—regardless of the practicalities—is that the EU is there and the Japanese market has looked and seen the difference between the UK and the EU. We are playing second fiddle, on paper, with these quotas. The EU is first and, if there is any space, the UK is second. Isn't that true?

Elizabeth Truss: What I was concerned to achieve in the negotiations with the Japanese was that every significant UK export would continue to have access to the Japanese market on the same terms as, or better than, it had had before. We made sure that, first, no importers would pay upfront to use those quotas, so they are able to import tariff free and the reconciliation is done at—

Q101 **Chair:** But if the EU fills those quotas, they won't get in there and it is a risk for a Japanese importer to take UK stuff because that is more likely to be tariffed—

Elizabeth Truss: Mr Chairman, there is always a risk for any quota, but we have done the calculations and shown that on the basis of existing growth there is capacity in those quotas.

Q102 **Chair:** But the UK is on the bottom rung of the ladder for the quotas and will be first to be kicked off if they want. The principle is that the UK has accepted in this negotiation with the Japanese that they will be the bottom rung of the ladder to other European countries in the UK's own agreement with Japan.

Elizabeth Truss: In addition to gaining access to those quotas and getting the principle that it would be tariff free upfront, which I think is very important for the importers, we have also secured a simplification of the process; only two steps are required rather than the six steps that the EU has to go through to be able to access this quota. It is very much positioned as a bridge towards the Trans-Pacific Partnership. This is an interim arrangement to make sure British exporters continue to have access to that quota while we are going through the process of TPP accession.



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The Japanese are chairing TPP next year. They want to work with us to make sure that we are able to complete the accession process to have the market access discussions and then we will have access to those larger quotas under the TPP. But this is a practical arrangement that makes it easier for UK exporters to apply for these quotas. As I say, the process is simpler.

A final point I wanted to make, Chair, is that we also have a specific side letter on both malting barley and cheese products to make sure those products continue to have that market access above and beyond having access to the quota.

Q103 **Chair:** I think we might mention side letters later. What baselines were used in compiling the impact assessment regarding the UK-Japan deal, and what were the reasons for choosing those baselines?

Elizabeth Truss: The baseline of the assessment was trading with Japan on WTO terms.

Q104 **Chair:** Not the EU?

Elizabeth Truss: No, because we have left the EU and once we leave the transition period at the end of this year, we essentially leave that deal with Japan, along with all the other EU deals. We are no longer a member of the EU. That is the default position.

Q105 **Chair:** We have got a deal with Japan. We are comparing it with a deal we don't have with Japan. We are comparing the new deal with a deal we don't have and not the deal we have; is that correct?

Elizabeth Truss: Yes, we are comparing the deal with trading on WTO terms, which would be the default. If we hadn't succeeded in negotiating this deal with Japan, we would be trading with Japan on WTO terms.

Chair: WTO terms, as a result of being in the European Union. I understand.

Q106 **Sir Mark Hendrick:** Secretary of State, the way that you and the Government have approached this has been very pragmatic in that you wanted a deal that was at least as good as the EU deal. Nevertheless, as the Chair said, the fact that we have had to reference it with regard to EU quotas means that it is not a totally independent deal being done by a totally independent sovereign state. It is one where we have managed to persuade Japan that given the fact we have left the EU, it would not be any skin off their nose if we can steal a bit of the EU quota despite the fact we are no longer in the EU. Clearly the presentation as far as the Japanese are concerned has been very different to the presentation to the British public, and the idea that we have taken back control and that we are totally in control of our destiny when in fact to some degree we are still dependent on EU quotas to allow our trading deal to take place at all—I think the way that it has been presented is a sleight of hand, but you have your lines and you have to stick to them.



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Under the UK-Japan agreement, UK exporters, as you know, can use 10 of the 25 tariff rate quotas available under the EU agreement for any surplus volume not used by the EU. What information does the UK-Japan agreement oblige the Japanese authorities to provide to UK exporters and Japanese importers to allow them to take maximum advantage of this arrangement?

Elizabeth Truss: If I could reply to your first point, what we have done is found a pragmatic solution to make sure UK exporters have access to this quota in a simpler way than they would have had under the European Union. Frankly, it is common practice in global trade for countries to use unused quotas of other countries.

Sir Mark Hendrick: I am not disputing that, Secretary of State.

Elizabeth Truss: If there was an unused quota by AN Other country for some other product, I would be very willing to use that as well. I am not precious about where we get the access to this quota. The important thing is we have the access to it and the Japanese importers are able to import tariff free these excellent British products until at least 2024.

There will be a specific process set up to help those importers and make sure they are fully aware of exactly how to do it. As I commented earlier, we have simplified it so that rather than six stages to go through, there are two stages. John, do you have any more detail of that specific process?

John Alty: I don't have the detail right now.

Elizabeth Truss: There will be information available to importers in Japan and we will facilitate that happening in addition to the broader information we are going to be providing jointly to small and medium-sized enterprises to help them take advantage of this trade agreement.

Q107 **Sir Mark Hendrick:** My point is: is that information coming from Japan or do we have to check with EU that they have quota left before we can use it?

Elizabeth Truss: It is entirely coming from Japan. This is a deal with Japan and the motivation behind what Japan is doing is it wants to limit the total imports into Japan. It is run by them, their importation authorities. We have an agreement to have this expedited process that doesn't involve the importers paying upfront and that is entirely run with the Japanese.

Q108 **Neil Parish:** Thank you, Secretary of State. I want to follow up the question on cheese, because at the moment there is a tariff of about 28% and then it goes to nothing over 16 years. We have access to that quota, but only when the EU have not fulfilled theirs. At the end of your statement you said you have some special arrangement regarding cheese. Would you like to elaborate a little bit more about what this special arrangement is, please?

Elizabeth Truss: Certainly, Neil. The vast majority of the cheese we export to Japan is not under this quota. Cheddar is not covered by the



quota. Cheddar is going in quota free, so in theory we can export an unlimited amount of Cheddar under the preferential tariff arrangements. It is to do with whether it is a hard or soft cheese as to whether it is part of the quota. Because Stilton has a higher water content than Cheddar—that is my understanding—it is subject to the quota, whereas Cheddar is not. That is the specific issue.

As I said, currently only 47% of that quota is utilised, so we think there is plenty of space until 2024, by which time I hope we will have acceded to the CPTPP and will have access to a bigger quota. In addition, the Japanese have provided a side letter assuring us that if there are any issues with access, they will make sure that we retain our existing access to the market if there are any problems with that quota. I believe I have already shared with the Committee a copy of the side letter that covers that additional agreement.

Q109 Neil Parish: Thank you for that, Secretary of State. Do you think you have been ambitious enough with getting access for agricultural products? There is no milk powder quota to go into Japan, and milk powder is very important in stabilising the milk market in the UK and across the world. To what extent have you gone around the major agri-food industries in the country and said, “Have much have you got spare? How much can you export to Japan?” and then gone out and tried to get a deal? Surely that is necessary when we are doing trade deals. Has that been done?

Elizabeth Truss: Yes. We have the trade advisory groups and we have an agri-food group. They have been thoroughly consulted while negotiations were ongoing to make sure we protected our existing market access to agriculture and got as much additional access as we could. As I said, the main benefit has been on more liberal rules of origin in the production of some of these goods, and that opens up a wider range of food products to be able to be exported to Japan.

I completely agree with you about the opportunities in areas like milk powder. Dairy is a sensitive product for the Japanese, and we push very hard. I think we have another opportunity when we negotiate the market access sections of the Trans-Pacific Partnership to gain more access to not just the Japanese market but also the markets of the other Pacific nations like Canada, Australia, New Zealand, Vietnam and Malaysia. We pushed as hard as we could in this negotiation, but I agree with you, milk powder is an important product and we will push again.

Q110 Chair: We thank the Chairman of the EFRA Committee for being with us today. Secretary of State, how many other countries have unfulfilled quota with Japan at the moment?

Elizabeth Truss: “I don’t know,” is the answer to that. I believe that quite a lot of the TPP quota that Japan has is not filled. This is why joining TPP is a major opportunity for accessing larger quotas for the United Kingdom.

Q111 Chair: Okay. I only ask because you said you would happily take quota



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from other countries that is unfulfilled, not just EU quota, and wondered if you had asked the Japanese whether you could use any other quota. Was that question asked of the Japanese? Could you use those unfulfilled quotas—not just the EU unfulfilled quotas, but other quotas?

Elizabeth Truss: Absolutely, and this is the precise discussion we were having about TPP, because we know those quotas are not being fully utilised.

Q112 **Chair:** Did you try to get them in this deal?

Elizabeth Truss: The Japanese have given us a side letter saying that they are committed to us getting further market access under CPTPP to those quotas that are currently shared with the TPP nations. But on malt barley we also got commitment that the global quota available for malt barley would get additional UK guaranteed access. We have been looking at the global quota; we looked at the EU quota; we have further commitments to accessing the TPP quota as well. We have looked at every single quota the Japanese have to try to get as many British products as we can.

Q113 **Chair:** There is perhaps a little bit more the negotiators can do—great.

Elizabeth Truss: We keep them quite busy, I can assure you.

Chair: Let them look at all the other countries with unfulfilled quotas and see if they can get an angle at that.

Q114 **Mick Whitley:** Good afternoon, Secretary of State and Mr Alty. How will the rules of origin provisions in the UK-Japan agreement affect specific sectors of the UK economy, particularly automotive manufacturing?

Elizabeth Truss: As I said earlier, we have more liberal rules of origin agreed for sectors like confectionery and textiles, so that will mean that more British products can access lower tariff rates. On the automotive sector, we have agreed extended cumulation with Japan, which essentially means that Japan content can be counted towards content with the EU if the EU agrees that, but it also means that EU content in the UK can be counted towards the rules of origin for export to Japan.

Q115 **Mick Whitley:** The European Commission is saying that there is no way it can make allowances for that, to allow products of other origin to come through Europe.

Elizabeth Truss: I think it is in the interests of the UK and the EU to agree modern rules of origin that allow the production of goods across the EU and United Kingdom, but that is ultimately a matter for the negotiations conducted by Lord Frost. I know that is something that we want to achieve out of the negotiations and, of course, the Japanese want to see us achieve that as well.

Q116 **Mick Whitley:** What modelling has the DIT done of the possible effect if the EU does not agree to some form of cumulation arrangement in relation to trade involving the UK, Japan and the EU?



Elizabeth Truss: The modelling we have done is purely about the UK-Japan agreement. Of course, we believe it would be advantageous to have modern rules of origin across EU, Japan and UK, but as with all our negotiations with the EU, we are not prepared to sacrifice these asks for the UK being an independent and sovereign nation. Within the red lines we are asking for from the EU, of course we would like those provisions, but we are not prepared to sacrifice our independence and sovereignty to get them.

Q117 **Mick Whitley:** The DIT has stated that the UK-Japan agreement “will allow producers of coats, knitwear and biscuits to source inputs from around the world for their exports to Japan”. What modelling has the DIT done of the potential effect of that on UK-based suppliers?

Elizabeth Truss: This is an increased opportunity for UK-based suppliers. As I have said, we have identified roughly £88 million worth of exports to Japan that could gain from lower tariffs because of those more liberal rules of origin: for example, they are sourcing ingredients from around the world or they are using some processes elsewhere but adding value in the United Kingdom. I think it is important to recognise that the UK is a trading nation—64% of our GDP is trade through imports and exports. A lot of the work that Britain does is importing products, adding value to them and exporting that. This deal with Japan and the more liberal rules of origin support the way that Britain does business and that is why I referred to it as a British-shaped deal.

Q118 **Sir Mark Hendrick:** I find some of the terminology and the language used by the Secretary of State quite bizarre. We are making such a big effort to try to gain access to the Trans-Pacific Partnership when we are actually thousands of miles away from the Pacific and we have Europe on our own doorstep. I accept that a referendum has taken place, but the fact that we are trying to elbow our way into a Trans-Pacific Partnership is quite interesting. To use language like “modern rules of origin”—as I have understood rules of origin over the years has been about: is this a British car, is that an American piece of equipment? It depends very much on the percentage of content in a particular product or the amount of value added that has been put in there as a result of any processes that have gone on in a particular member state.

I find it quite bizarre to expect that Japanese content in a British product, principally an automobile, should automatically be accepted by the EU as a British product, and the fact that you might want to shift the thresholds in order to classify it—you could understand it if we were inside the European Union, and in fact European Union rules of origin is quite funny in the sense that there are 27 countries in the European Union and any product could be a conglomeration of those 27 countries, but at least it is in the same geographical region.

Chair: I am sorry; do you have a question?

Sir Mark Hendrick: Yes, I am coming to it. For us to take products from the other side of the world in the Pacific and try to pretend they are British



content in order to sell them to the European Union is really stretching the imagination. When you use the term “modern rules of origin”, what exactly do you mean by it?

Elizabeth Truss: There are two benefits to us being a member of the Trans-Pacific Partnership. The first is access to high growth markets in fast growing parts of the world, and I think that is a really exciting opportunity. It represents 13% of GDP—16% if the UK joins—and for areas like digital, data and services it goes far further than the EU has been prepared to go in any of its trade agreements. We are the second largest exporter of services in the world, and services are in many ways easier to transport around the world, so if you are selling computer games into Vietnam that is easier to transport than physical goods. There are huge benefits to those digital and data aspects of the Trans-Pacific Partnership for the UK.

Q119 **Sir Mark Hendrick:** I am not disputing that. I agree with you on that. It is just your presentation.

Elizabeth Truss: The second point, Mark, is that it is also important from a geostrategic point of view because it is a rules-based, high standards group of countries that is challenging those players in the global system who don't play by the rules. This is why rules of origin are important. If we join the Trans-Pacific Partnership and have liberal rules of origin with the countries in the Trans-Pacific Partnership, or modern rules of origin as I described earlier, that will help us diversify our supply chain away from more high risk countries that are not necessarily part of that high standards, rules-based system.

You said it is extraordinary for us to be importing from all parts of the world. The fact is that we are. We discovered during the Covid crisis that we were importing a lot of goods from China. My point is that working with like-minded nations in a strong rules-based partnership where we have liberal rules of origin and goods can be created across that partnership helps to shape the global trading system in the way we want and that is a good thing. Who knows which countries might join the Trans-Pacific Partnership in the future? There are already a number of other candidate countries, like Thailand for example.

Chair: Mark, are you happy with the answer?

Q120 **Sir Mark Hendrick:** I am not saying we shouldn't do these trading arrangements or we shouldn't have these deals. I am in favour of everything that creates jobs and brings wealth to the UK, and I don't care where we export to or import from. My gripe is about the presentation of it as if it is something that it is not—talking about modern rules of origin when rules of origin are meant to be about where something is from, not where something is not from—and that is what you are doing, Secretary of State.

Chair: Do you want to respond, Secretary of State, or are you happy enough with that?



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Elizabeth Truss: I completely agree that the whole purpose of trade is to increase economic opportunity across the United Kingdom and across the world, but the reason we have these rules of origin that include other nations across a trading bloc is so that we can work more closely with them and we know that we can rely on imports from those countries because they are following the same rules we are following.

Sir Mark Hendrick: I fully understand that.

Q121 **Chair:** I will pull this to an end and we will move over to Lloyd Russell-Moyle. Before I do, Secretary of State, you said that this would allow more British products such as textiles to be exported, I think you said tariff free, into the Japanese market. Are you comparing that to the WTO or to the EU?

Elizabeth Truss: I am comparing that to the EU. Of course the EU is an improvement on the WTO situation, but because we have these more liberal rules of origin with Japan, it will mean that more textiles are eligible for the lower tariffs than they would have been under the EU agreement. I want to introduce John at this point because I think he wants to say even more about rules of origin.

Chair: Please be brief.

John Alty: Only briefly to say, picking up the point about where products are from and so forth, it is relatively normal for our trading partners to try to get this extended cumulation because it is in everybody's interest that as much trade as possible qualifies for preferential terms. That is the basis on which we are operating.

Elizabeth Truss: On these textiles, the point is that more UK textiles will now be eligible for preferential terms, because you are essentially allowed more input from elsewhere in the world and, of course, there is not much cotton production in Britain.

Q122 **Lloyd Russell-Moyle:** With this deal you are saying that the scraps that fall off the table that we are allowed to pick up and use will be enough to sustain our current industries as long as there is no real growth for the next few years while we can negotiate the CPTPP. The question that I have is: what is the timetable for joining the CPTPP and how did this influence the Government's negotiating position with the UK-Japan agreement, particularly in relation to tariff rate quotas? Did we say, "We have to be joining the CPTPP by this date, because we know that the tariff quotas will be full" or have we just worked out afterwards with a wing and a prayer, "Well, they might not all be filled by the time we join"?

Elizabeth Truss: First of all, I reject the premise of your question, because the tariff rate quotas are a very small proportion even of agricultural exports. They represent £1 million out of £130 million of agricultural exports, and this deal delivers an extra £15 billion worth of trade. I think, Mr Russell-Moyle, you need to put this in context. It is a very small part of the overall agreement. If you look at the size of Britain's services industry,



our digital and data industry, it is vastly bigger than the amount covered by these TRQs, but nevertheless—

Q123 Lloyd Russell-Moyle: Yes, but we are talking about the TRQs at the moment. That is what we are talking about, so let's focus on the TRQs.

Elizabeth Truss: What I am saying is it is a disproportionate focus on a very small part of the deal.

Lloyd Russell-Moyle: If you answer the question, we can get on to other questions.

Elizabeth Truss: In any case, we still have protected access under the TRQs.

Q124 Lloyd Russell-Moyle: Secretary of State, I just want to know about the timetable. We can have the bigger argument about the trade deal and its great advantages compared with WTO terms, ignoring the EU deal. That is fine, but on the TRQ process, you say that it will not reach quota until the implementation of the CPTPP, so there is no worry in the headroom. Can you give me an idea of the timetable for accession into the CPTPP and how that timetable influenced the UK deal, or was it completely coincidental that the headroom will not be fulfilled?

Elizabeth Truss: Joining the Trans-Pacific Partnership is something that the UK wants to do as a strategic priority. Before any other deal was agreed with Japan, Australia and New Zealand, who are all part of the CPTPP, it was a strategic aim of the UK Government to join the TPP for the reasons that I have set out, which are economic but also about shaping the global trading system in the rules-based free trade way that we believe in.

Lloyd Russell-Moyle: There was no consideration between the two—

Elizabeth Truss: I am trying to answer your question. Japan is an important strategic partner for the UK, who we strongly agree with on many issues, including at the World Trade Organisation, and it is the biggest party in CPTPP, so it is natural we should work with it to progress our accession to TPP, along with our very strong partners Australia and New Zealand. Japan knows that we want to be part of TPP, and some of the provisions that we put in place in the Japan agreement are TPP provisions. It provides a stepping stone to TPP, and the tariff rate quotas we discussed earlier, which are important but a relatively small part of the overall deal in economic terms, are also positioned as a bridge to TPP. You can look at the Japan deal as good in itself, but it is also a stepping stone to TPP.

The process is that we submit a letter early next year to New Zealand, which is the deposit point for communications with the TPP, expressing our interest in accession. We also are planning to produce an economic study, which of course we will be sharing with the Committee, on the economic benefits of joining TPP. We would then go into the process of negotiations through a working group process. That would be chaired by Japan next



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year but would also involve the other members of TPP, and separately we would be negotiating market access schedules with each of the members of TPP. I have already had a meeting with all of the 11 chief negotiators to discuss that process. They are supportive of that process overall.

On how long it will take, there is strong commitment from us, Japan and other partners in TPP to make this process happen. I am always reluctant to put down a deadline because we don't want timescales to be used against us.

Chair: I am feeling like putting a deadline on.

Elizabeth Truss: I want to make a final point to Mr Russell-Moyle. There is £29 billion worth of trade with Japan, and the TRQs cover £1 million worth of exports, so we have to put that in perspective.

Q125 **Lloyd Russell-Moyle:** Our job is to try to scrutinise every single section of it, and this particular section of questioning is about the TRQs. I respect that there might be lots of other great economic parts to this, but what we are actually saying is that there is no fixed timetable for accession into the TPP. This deal is a sticking plaster and we hope that we will get into the CPTPP in time before the quotas are used up, but if the quotas are used up, this deal will not help whatsoever for the TRQs then until we join the CPTPP. Is that correct?

Elizabeth Truss: As I said earlier, there are also the additional provisions in the side letter on both malt and Stilton, which are the two largest quotas that we use. We have made sure that the biggest products under that £1 million worth of exports of the total £29 billion trade with Japan is protected.

Q126 **Lloyd Russell-Moyle:** The problem is it is a moving feast, isn't it?

Chair: I am going to have move on, Mr Russell-Moyle.

Elizabeth Truss: If I can make a point, Mr Chairman, I am, of course, happy to answer questions about TRQs and we have produced a briefing document on agri-food exports, but I hope the Committee is going to spend as much time talking about the digital and data chapter, which is significantly more economically valuable, in this session.

Chair: Thank you very much. We have reached 15:21, and the 19th century has not interrupted the 21st century in the form of the Commons Division bell, so we will press on in the time we have.

Q127 **Craig Williams:** Representing one of the most rural constituencies, I am not going to help with the subject area, but I know that my Japanese-owned manufacturers and my farmers don't see this trade deal as a sticking plaster. I very much welcome what has been done in the direction and the depth of this trade deal, which a lot of the Opposition and other Members said was not possible.

Could I talk about process very briefly? The agreement sets up a joint committee that will look at further details and also look at procurement,



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GIs and rules of origin. How will Parliament and this Committee be scrutinising anything that comes out of that joint committee, given that it is not covered by CRaG? What do you see, Secretary of State, as the instructions to our side of that joint committee?

Elizabeth Truss: Thank you, and you are absolutely right; there are some very important benefits, particularly for Welsh farmers, from the deal. I was delighted that lamb was allowed back into Japan in 2019 and Welsh lamb is one of the geographical indicators we will be pushing through the Japanese domestic system as soon as possible. I will ask John to go through a bit of detail about the way the committee is going to operate.

John Alty: Thank you, Secretary of State. Every trade agreement normally sets up a committee of this sort so that we can look at the way that the agreement is working and potentially improve particular areas. In relation to the point you asked on Parliament, that is something we will need to look at as we start life as an independent trading nation, but it is a normal process. In some cases these agreements will say that a change requires a change to the agreement and in some cases they will say changes can be made in the committee. When Parliament looks at the original agreement, those provisions will be set out and that is a basis for you to ask questions about them.

Craig Williams: It is something for us to explore, by the sound of it.

Q128 **Mark Menzies:** The Secretary of State has already referred to the several side letters that are attached to the main UK-Japan agreement. I want to check what their legal status is and how far they bind the parties to take any particular course of action.

John Alty: I will come on to that. I wanted to correct something, because I gave from memory the trade figures for Japan. I said £29 billion; in fact, it is £31 billion, so it is slightly higher. I just wanted to put that on the record.

Side letters are moral commitments rather than legal commitments, otherwise they would be in the legal agreement itself, but they are commitments by the Government of that country and they have been made public so they have a strong moral force.

Q129 **Chair:** You can even go higher in the trade. I think it is £31.6 billion in 2019, if we wanted to go down to a few hundred thousand pounds.

Before we move on from this, I want to clarify something the Secretary of State has given. We have mostly dealt with the Japan section. The Japan agreement is worth about 0.07% of GDP. The Secretary of State knows I am quite keen on numbers, just to give the overall context, but Brexit, if there is a deal, is a cost of about 4.9% of GDP, according to Government figures, so it is about 70 times greater cost than benefit. A no-deal Brexit at 7.6% would be 108 times more costly than the benefits of this deal. Does the Department for International Trade recognise those figures?



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Elizabeth Truss: No, I don't, but these are not either/or questions. We want to get a good deal with the EU and we also want to get a good deal with Japan, and those things are not mutually incompatible. It is a matter for the Treasury as to which numbers it supports on the—

Chair: Those are London School of Economics figures from the Treasury.

Elizabeth Truss: But my point is we want to get the best possible deal with the EU but it has to be compatible with our independence and sovereignty and we want to get good deals with Japan, Canada and other countries around the world.

Q130 **Chair:** We are a little off point. We are just comparing the figures. We are accepting that the Government have said there is GDP damage with Brexit and there are GDP gains with these deals. That is why these deals are welcome, but in context they are fractions. Depending on the type of Brexit, they are a 70th or a 108th.

Elizabeth Truss: It seems to me you that you are trying to fight the Brexit battle again.

Q131 **Chair:** No; I am pointing out that the deal is no panacea for walking out of our trade bloc.

Elizabeth Truss: Mr Chairman, can I make one point about the figures? The figures about the Japan deal are an estimate of the benefits of the deal. In addition to that, you have also—

Q132 **Chair:** What is that figure?

Elizabeth Truss: It is a £15 billion increase in trade.

Chair: That is 0.07% of GDP, yes.

Elizabeth Truss: We are currently looking at that, because we don't believe it takes into account the benefits of the digital and data chapter and the innovation sections of the deal, but also it doesn't reflect the increases in trade that are happening anyway. British products becoming more competitive and Japanese consumers growing a taste for British food are not included in the modelling. The modelling only includes the factors in the deal, so it is not a projection of what future trade will be. It is simply an analysis, an estimate of the benefits solely attributable to the trade deal. I think that is something that people don't widely understand. It is not an economic forecast about what future trade with Japan will be. Future trade with Japan is dependent on our industry competitively exporting into Japan. This is simply about the deal itself.

Chair: For that you have estimates of economic growth, which you have given, which we are agreeing on.

Q133 **Mick Whitley:** This is a question about the negotiations with the US. US trade representative Robert Lighthizer said last month that he was "very pleased" with progress in respect of negotiations between the US and the UK and predicted a trade deal "reasonably soon". Do you agree with his



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assessment and how, if at all, do you expect the outcome of the presidential election to affect the timescales for concluding an agreement with the US?

Elizabeth Truss: We have made good progress on our trade negotiations with the US. We have just completed round 5 and we have made significant progress in the majority of chapters in the deal. We have been talking about the detailed text. We have made initial market access offers. We think there is a good deal to be done, which could be taken forward by whoever is in the White House once the election process is complete. I have had discussions with senior Democrats and senior Republicans who are supportive of the deal. It is important to remember this is a deal between the US and the United Kingdom. It is supported widely in the United States and we believe there is a good deal to be done. That doesn't mean, of course, that we will go over any of our red lines. It is important we protect the NHS and we won't be lowering our standards for such a deal.

Q134 **Mick Whitley:** How come Nancy Pelosi, Speaker of the House of Representatives, has said that there is "no chance" of a UK-US FTA being approved by Congress if the UK does not "respect the Northern Ireland Protocol". How do you anticipate negotiations with the US could be affected by the UK's implementation of the protocol?

Elizabeth Truss: We are very clear that the Good Friday Agreement is absolutely critical. We are absolutely determined to maintain that and we do not want a hard border on the island of Ireland. That is exactly what politicians in the US want as well and I am clear that we will achieve that.

Q135 **Chair:** I think if Nancy Pelosi wasn't busy this afternoon or this morning, she might be listening in, Secretary of State, to that answer and we can hope it will be mutual—

Elizabeth Truss: I am not convinced she is.

Q136 **Chair:** I have to agree with you on that one, Secretary of State. If I can turn to Australia and New Zealand, in June Australia's Trade Minister said he hoped the UK and Australia could conclude negotiations by the end of 2020. That will be in the next eight weeks. You said in a letter last month to me that both countries had "remarked upon the speed at which substantive progress is being made". Is it your expectation that an agreement will indeed be reached before the end of the year or will that slip a bit?

Elizabeth Truss: I hope we will be able to reach an agreement within months. I am not making any promises about the end of the year. I do not think putting in an artificial deadline helps, but we are making substantial progress. There is strong agreement in areas like data and digital, and services. There is a strong opportunity on goods market access as well, so there is a very good deal to be done with the Australians. They are a very important ally. Of course they are a crucial member of the Trans-Pacific Partnership. The way we are approaching Trans-Pacific Partnership



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accession is we are talking to countries about the Trans-Pacific Partnership alongside the bilateral deals we are negotiating.

Chair: You described New Zealand earlier as the drop-off point for the Trans-Pacific Partnership. In August, Winston Peters, New Zealand's Deputy Prime Minister, said he was "very frustrated" at the slow progress of talks, adding, "We are seriously match fit in a way that I don't believe that the UK is". How do you respond to Mr Peters, remembering his pivotal role in CPTPP?

Elizabeth Truss: I note, following Jacinda Ardern's successful election victory, that Mr Peters is no longer part of the New Zealand Government.

Q137 **Chair:** Do you feel, therefore, that that view of the UK will have vanished with Mr Peters's utterance, and Mr Peters?

Elizabeth Truss: Mr Peters has moved on. I had a very positive meeting this morning with Bede Corry, the new New Zealand High Commissioner. We have both agreed that the first round of talks with New Zealand was very positive. There are certainly areas like the environment and climate change where we think we can strike a world-leading deal with New Zealand.

Chair: All is rosy in the garden and the climate is great.

Q138 **Taiwo Owatemi:** Secretary of State, Policy Exchange told us in an evidence session that trade agreements with Australia and New Zealand would involve the UK lowering tariffs on agricultural products in exchange for achieving liberalisation in the areas of services, investment and data. How accurate is that as a summary of the kind of trade-offs that the UK faces in its negotiations with Australia and New Zealand?

Elizabeth Truss: It is certainly true that we want to see, on both sides, reduced tariffs on goods. Reduced tariffs on goods includes, of course, manufactured goods and agricultural products. There are huge benefits to the United Kingdom of those types of liberalisation and there are a lot of products that we want to sell more of into the Australian and New Zealand markets.

On the services side, I would not present it as a UK-offensive interest. The fact is it is in the interests of Australia and New Zealand to sign up to advanced digital and data and services chapters to help support their businesses as well. I would not present it as: on one side we have goods, and on the other side we have services. It is more nuanced than that. My general view is that these countries are very like-minded partners. They are fellow free-market democracies. We should be working much more closely with them and that is to both of our countries' economic advantages.

Q139 **Taiwo Owatemi:** In the area of services, from what I understand, both the UK and Australia stated that they hoped to agree mutual recognition of qualifications as part of a trade agreement. To what extent are negotiations



on this issue being affected by the UK's negotiation with the EU on the same subject?

Elizabeth Truss: We want to move as far as we can towards positive mutual recognition of professional qualifications. The deal with the EU is on the basis of us being an independent sovereign nation and able to enter those types of agreements with other countries. That is very compatible with our negotiations with the EU.

Chair: In the next area, we have quite a bit of interest from Martin Vickers. We have Mark Hendrick, Craig Williams and Neil Parish to mop up at the end.

Q140 **Martin Vickers:** Secretary of State, I understand that you are going to make the Trade and Agriculture Commission a statutory body that will give independent advice on trade deals. Under which legislation will the commission be established as a statutory body and what will be its precise role?

Elizabeth Truss: We will be putting the Trade and Agriculture Commission on a statutory footing in the Trade Bill. That is the vehicle that we are using to put it on a statutory footing. It is important to note the really positive work the Trade and Agriculture Commission has already been doing under the leadership of Tim Smith. It has been consulting and doing virtual roadshows around the country. It has been putting forward positive ideas and is about to issue an interim report shortly. At the end of February it will issue its final report giving recommendations on trade policy with respect to agriculture, how the UK influences global standards at organisations like the WTO and also how the UK promotes agricultural exports. From then, the commission will provide specific advice on trade agreements on an independent basis. We will use the Trade Bill to put it on a statutory footing.

Q141 **Martin Vickers:** As I understand it, there is an amendment to the Agriculture Bill that will, for example, involve the commission in reports on animal welfare standards. How exactly will it proceed from that? Will it report directly to Parliament?

Elizabeth Truss: The report it produces will be independent on each free trade agreement and that report will be published by DIT to Parliament. We will be outlining further details of that in the amendment we are putting forward to the Trade Bill.

Q142 **Sir Mark Hendrick:** My question follows on from the previous question. It relates to animal welfare standards. Clearly it is going to be a statutory body. How obliged will the Government be to follow any advice from it? I am particularly thinking about any trade agreement with the United States, where standards of food are one issue but the treatment of animals before they became food is another. If the animal welfare standards of the United States, or any other country for that matter, do not meet those we have here in the UK, will the Government be persuaded to perhaps be more limiting on the animal products imports—food, in particular—where



countries such as the US may not comply with our standards, which I think are much better?

Elizabeth Truss: The Trade and Agriculture Commission is advisory, but of course Members of Parliament can read its reports and decide. If it does not think that the trade deal we have struck is good enough, it can stop the trade deal through the CRaG process. That is the process, essentially, that the independent—

Q143 **Martin Vickers:** I am thinking more in terms of the Government and you.

Elizabeth Truss: While we are going through each trade negotiation we are making sure that we do not lower our standards. We have already banned chlorinated chicken and hormone-injected beef in UK law. We will make sure—

Q144 **Martin Vickers:** That is food standards. I mean animal welfare standards. That is what I am specifically concerned with.

Elizabeth Truss: Absolutely. What we cannot do—which has been proposed by various amendments—is to say every single country has to follow British farm regulations absolutely, because that would just stop imports from vast parts of the world, including developing countries. What we will do, on a pragmatic basis in individual trade deals, is use techniques like quotas, tariffs and safeguards to make sure that our farmers are not unfairly undercut by products that do not follow the same high standards that we do in the United Kingdom.

Q145 **Martin Vickers:** On animal welfare standards or food standards?

Elizabeth Truss: I mean animal welfare standards. We have to look at that on a case-by-case basis because obviously if we are striking a trade deal with Kenya, that is a different type of trade deal from one we might strike with Australia. The point is that on each of those deals there will be independent analysis by the Trade and Agriculture Commission about the implications on animal welfare of the deal we have signed.

Q146 **Craig Williams:** I will not be long because I think this has been covered, but I hugely welcome the creation of this in the longer term, and in particular I pay tribute to the NFU. I was delighted, for once, to read Minette's words when she welcomed this and drew a line. Clearly there has been an issue of trust between the agricultural community and our trade negotiations. Can I draw you, Secretary of State, on whether you think this represents a line where we can move on now and build that level of trust that did not seem to be there? Is Neil still on this call? He is nodding and happy. Do you think this is the moment we can move on?

Elizabeth Truss: I am very pleased that we are establishing the Trade and Agriculture Commission on a statutory footing. We have made a lot of progress in our engagement with farmers through the setting up of the trade advisory group, so it is involved in the detailed negotiation, as well as the Trade and Agriculture Commission.



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The UK is going through a major change. This is the first time in 45 years we have had our own independent trade policy and are making decisions about our standards, our tariff rates and so on. Necessarily that requires a lot talk and engagement. We cannot be complacent. We have to carry on engaging people, working together, making sure people understand the implications and making sure we are seeing how farming benefits in everything we do.

I see this as a start of a process, rather than the end point where we just say that that is done and we can all go away now. When we are negotiating these deals, whether it is with Australia or with the US, there is a lot of detail to be worked through. That is where we really need the engagement of the farming unions, others involved in the food industry and farmers on the front line. We are moving in a positive direction but we need to keep talking. That is the way we will get a trade policy that works for our farming community and delivers on the ground.

I think there are huge opportunities. There are huge opportunities for lamb into the US market or into the Middle East. We need to open up those opportunities, but the whole point of the Trade and Agriculture Commission going out and meeting people, albeit virtually, across the country is to increase that engagement.

Chair: Thank you very much. The Chair of the EFRA Committee is with us and guesting today, Neil Parish. Would you like to come in at this point?

Q147 **Neil Parish:** Thank you, Angus, and thank you, Secretary of State. Further to what Craig said, it is very welcome that we now have this Trade and Agriculture Commission on a statutory basis. Secretary of State, will you not find it useful to have this while you are negotiating so that, if you are trying to resist importing food that has not met our high standards, it is a reason for you not to accept it?

Say, for instance, we were doing a deal with America. A lot of the chicken it produces meets our standards. It is just that about 20% of its chicken does not because it is much more densely populated with much higher antibiotic use and a chlorine gas is used to make it safe to eat at the end of life. Are you going to use the Trade and Agriculture Commission to look at the standards in these countries to see whether there are assurance schemes and others that can be recognised to allow imports? I have never been against imports, I have just been against them undermining animal welfare and our agricultural community. Can you give me those assurances?

Elizabeth Truss: We have the trade advisory group, which has quite a lot of overlapping membership with the Trade and Agriculture Commission. Those are the people with whom we share the detail of the tariff and SPS discussions that take place in individual trade negotiations. They are very closely involved in the details of those negotiations.

There are lots of different ways in which we can use tools in trade negotiations to make sure that we are not undermining our farming



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industry and the standards that we have in the UK. There is a slightly different role of scrutinising what we have done, which is what the Trade and Agriculture Commission does, rather than the back and forth that goes on through the negotiation. Both of those roles are important.

It is also important to note that the people on those trade advisory groups have signed non-disclosure agreements. I know this is something the Committee wants to come on to, but information about the type of tariff offers the UK are prepared to give to other countries is very confidential. We need to make sure that people have signed those NDAs because if it were to get out what we had offered Australia, other countries would use it to chip us in the negotiations, essentially. We can't have that.

A confidential discussion takes place with representatives of the industry and so on to make sure that we are pitching our offers right, and that we are maintaining our animal welfare standards. That is slightly different from the scrutiny role that takes place once a deal has been signed, which is the role of the Trade and Agriculture Commission.

Q148 Neil Parish: Thank you for that answer. I shall look forward to scrutinising the trade agreements with great vigour, along with Angus and your Committee. We will have much opportunity, won't we, Angus, to look at what the Secretary of State is offering us?

Elizabeth Truss: I am a rural MP. I represent farmers—some of the finest pig and arable farmers in the world—and I am not going to do a deal that damages British farming or undermines our standards. We are known across the world for our high standards and that is the way it is going to stay.

Q149 Mark Menzies: DIT is currently undertaking a review of its trade modelling in consultation with an expert panel. What is the timeline for completion of this work?

Elizabeth Truss: The timeline is one year from when the panel was announced. It was announced at the end of the summer. It will take a year. This is very detailed modelling work that needs to take place. The current modelling we are using is on the basis of the 2011 environment, to give you a sense of how long term some of this work is. It will take a year to come to fruition.

Q150 Mark Menzies: Has any of the work that has been undertaken so far been informed by the impact assessments that DIT has already produced, for example the impact assessment on the agreement with Japan?

Elizabeth Truss: No. We have had to use the previous model because the work simply hasn't taken place. As I say, these are very detailed models that need a lot of work.

Mark Menzies: That is great. Thanks very much.

Q151 Taiwo Owatemi: Secretary of State, the UK has so far rolled over on 22 out of 40 trade agreements that the EU has with third countries. How many



more do you expect to roll over before the end of the transition period?

Elizabeth Truss: We have so far rolled over deals with 52 countries, which represents 74% of the deals we said that we were seeking to roll over. Yesterday we signed a deal with Kenya. We are working with a significant number of countries to make progress before the end of the year and I think that we will be able to do further trade continuity agreements.

Q152 **Taiwo Owatemi:** How is the deal that you signed with Kenya compatible with the functioning of the East African Community Customs Union?

Elizabeth Truss: It is important to note on the deal with Kenya that there is a clause that allows the remainder of the East African Community Customs Union to join that agreement if they so wish. I think the issue is that because the other countries in the East African Community Customs Union get quota-free, duty-free access to the UK because of their economic status, they have not so far wanted to join that agreement. We are very open to the rest of the East Africa Community Customs Union joining that agreement should they wish, and there is a clause available in the agreement for them to do that.

Q153 **Taiwo Owatemi:** Regarding some of the countries that you have not signed a rollover agreement with, one of which is Ghana—and given the difficulties in agreeing a trade agreement with Ghana that is compatible with its regional trade commitments—what will the UK do to ensure continued market access and avoid imposing costly tariffs on its products and disrupting the supply chain come January?

Elizabeth Truss: We have offered Ghana the ability to roll over their existing agreement with the EU, which is a duty-free, quota-free agreement and would give additional legal certainty. But because of Ghana's economic status, under WTO rules we can't treat Ghana differently from other countries of similar economic status. It is not entitled to duty-free, quota-free because it is a lower-middle-income nation.

The way to resolve this issue is to get the bilateral deal agreed with Ghana, which would be a rollover of their existing agreement with the EU and would give them duty-free, quota-free access. What we cannot do under WTO rules is treat lower-middle-income countries differently from each other. In fact the EU were not able to do that either, which is why they signed this agreement with Ghana.

Q154 **Taiwo Owatemi:** One last question on the rollover: how would you be supporting those businesses that trade with countries with whom you are unable to agree a rollover agreement?

Elizabeth Truss: We are working with companies and making them aware of the current status of negotiations. Of course we want to achieve as many rollover agreements as we can. We won't be able to achieve absolutely every last one. It does take other countries to agree the agreements with us, but we are certainly making rapid progress in a lot of negotiations—for



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example with Canada—we have just struck the deal with Kenya and we are making further progress on other agreements as well.

Q155 **Martin Vickers:** To get a bit more detail on that last question, Secretary of State, you said you were supporting businesses that deal with countries that we do not achieve the rollover with. Exactly what form will that support take? Clearly there are a number of businesses who have very considerable concerns.

Elizabeth Truss: The answer is that we are in discussions with them. We are giving them advice about what the trading terms could be at the end of the year if we don't succeed in closing those agreements. We are trying to minimise the number of those cases. We are still in discussion and negotiations with countries like Singapore and Vietnam. We have the available resource to make sure those discussions take place. Where there are countries that just do not want to roll over agreements then, of course, we need to make sure that the companies dealing with them have that advice.

Martin Vickers: Thank you.

Q156 **Chair:** Secretary of State, I want to bring you on to the PEM—Pan-Euro-Mediterranean—rules of origin. At the end of the transition period, as you probably know, the UK will no longer be bound by the PEM Convention. There are two months to go, or less than two months. What is the Government's view on it, and will the UK be acceding to this convention on 31 December?

Elizabeth Truss: What we want, as I said earlier, is a modern rules of origin agreement with the EU, and that is what Lord Frost is currently negotiating with his counterparts in Brussels. I personally am not concerned about the precise form it takes. The important thing is that we have those right rules in place.

Q157 **Chair:** There are a number of countries that are not in the EU—the western Balkans, the Faroe Islands and Turkey. What is the situation there? Has there been an assessment about how long the accession process could take if the UK were to join and what it might cost to business if it does not?

Elizabeth Truss: John, I don't know if you want to handle that.

John Alty: As the Secretary of State said, the first step has been to consider whether to join, and, as part of the EU negotiations, whether that is a good basis for rules of origin. That is being led by our colleagues under Lord Frost. In many of the agreements that we have with some of the near Europe countries where we are rolling over EU agreements, the rules of origin follow PEM because that is what the EU has with those countries. We are familiar with those rules. I can't give you details about the precise application process but it is not something that is going to be a problem for us in the sense that we have already done it in trade agreements.

Q158 **Chair:** Will we be there on 31 December or not?



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John Alty: That is primarily a matter to be looked at in the context of the EU negotiations. Those are what have been driving the consideration of joining PEM.

Chair: Although there are non-EU countries in that. I will leave it there. Mark Garnier is ready to go.

Q159 **Mark Garnier:** Thank you, it is always a pleasure to follow you. Secretary of State, I am going to turn to trade interruption and in particular the problem we have had all of this year with Covid-19. We published a report earlier this year about how this has impacted global trade and also what DIT has provided to businesses for business continuity. What lessons have you or your Department learnt over the year? How have they modified the approach to help and also built in a system that can help with business interruption in the future? Clearly this is not going to be the only way you can interrupt trade and business.

Elizabeth Truss: We have done a lot of work at the international level to keep the global trading system flowing. We agreed a joint statement at the G20 to make sure that any measures put in place by countries are time limited, transparent and fair, essentially. We have also recently had a meeting with the WTO. When the DG situation at the WTO is finally resolved, we are working on how the WTO can be reformed to help achieve some of those goals as well. Finally, I think one of the key learnings for us—*[Interruption.]* The bell has gone; sorry, I am going to have to leave.

Chair: We shall suspend for 15 minutes.

Elizabeth Truss: I will take longer to get there than you.

Sitting suspended for a Division in the House.

On resuming—

Chair: I reconvene the Committee. After the loss of productivity from visiting Mr Rees-Mogg's 17th, 18th and 19th centuries, we are back in the 21st century with Mark Garnier.

Q160 **Mark Garnier:** Secretary of State, you were in the middle of answering a question, so if you could remember where you had got to, please do carry on.

Elizabeth Truss: Yes, I think I talked about how we were working with the G20 to keep trade flowing, the importance of WTO getting working again and the importance of reform; it is about making that happen.

In our domestic support we have been using our international trade adviser network as well as undergoing specific activities. Last time I was in front of the Committee I talked about how we had had wet stamping removed, and the greater digitisation of trade.

Looking forward, we see digitising our trade support as being increasingly important. We are providing a lot of tools on import and export tariffs on



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our website as a Department, but what we now want to do is digitise more of our export support to make it easier for businesses to get in touch with us. That is one of the things we are working on for the future, as well as making sure that even during the pandemic, we are able to access virtual trade shows and support businesses in any way we can.

It is very important to note that under the new restrictions being put in place this week business still can and should continue to operate. It is a different situation from the first lockdown where a number of businesses ceased their operations. We want businesses to continue to operate.

Q161 Mark Garnier: I think one of my colleagues wants to ask about the trade show access programme. I am curious as to how much resource this is taking within your Department. This business interruption, as you say, has gone all the way from just making things sticky through borders—if not impossible to get things through borders as part of the supply chain—all the way up to WTO needing to be efficient to make sure that the rules are, first, being set and, secondly, being adhered to, to make sure that we continue with smooth trade. Potentially it is an awful lot of work. You always have limited resources and a lot of your staff do a very good job in securing market access and all the rest of it. To what extent have you had to take staff off other important roles and dedicate them to trying to sort out this type of problem?

Elizabeth Truss: In the early stages of the pandemic we had a considerable number of staff employed on helping the global supply chain operate through the GSSEP programme. We have also had staff deployed on Project DEFEND, which is all about making sure critical supply chains are protected in the future. But our regional staff have continued in role and they work very closely with BEIS and the Cabinet Office to make sure businesses are getting the support they need.

Q162 Mark Garnier: Are you satisfied that your Department has built into its departmental DNA the ability to deal with these problems if they come up again in the future?

Elizabeth Truss: Yes, I think we have made a lot of progress. The world of trade is rapidly evolving and the importance of data and digital, and digital trade in particular, is vital. The issue we have is that the WTO rules have not significantly changed since 1995. We have a WTO that is still working on that analogue basis, and we have a trade world that is increasingly digital. The UK in particular is likely to benefit from further digitisation of trade.

We have seen a very strong performance in tech exports and tech investment even during the pandemic. It is in our interests to promote this agenda. With our presidency of the G7 next year, we will be promoting WTO reform and digital and data trade as well as our trade against pandemics initiative that is all about lowering the tariffs on medical products and medical goods. We think there is a real opportunity for the



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UK to play a leadership role as we are seeking to recover the global economy after the pandemic.

Mark Garnier: I think you have your work cut out with WTO. Not only is it in the 1995 analogue technology, but it cannot even work out how to sort itself out a new leader—but I will leave that for another day. Thank you very much.

Chair: The buzzword is digital tech. We are a world leader. Perhaps we will get a catch-up course for the Leader of the House, Mr Rees-Mogg, and we can have him with a bit of digital and tech rather than dragging you back to the 19th century for 20 minutes to vote through the Lobbies—did I hammer that point home enough?

Q163 **Taiwo Owatemi:** Secretary of State, your Department responded to our Covid-19 report that we sent in September and said that the Department for International Trade hoped to make an announcement shortly regarding support available to businesses under the trade show access programme. Why has there not been any announcement yet?

Elizabeth Truss: It is something I am working on. Trade show access is very important. It is very important that UK companies are represented at key trade shows, particularly as we seek to make our way in the world as an independent trading nation, and I am working very hard to get this resolved and announced.

Q164 **Taiwo Owatemi:** On the support that is available, can you confirm whether grants are currently available through the programme to facilitate access to an online trade show?

Elizabeth Truss: This is exactly what we are looking at at the moment, and I am hoping to make progress on that soon.

Q165 **Taiwo Owatemi:** As you are aware, there are countries like Italy, France and Brazil that have been able to give their support to businesses in accessing online trade shows. What would you say to UK businesses who fear we are falling behind the competition?

Elizabeth Truss: I absolutely appreciate their point of view, and I have been looking at our international comparators and working hard to be able to make an announcement soon on this issue.

Q166 **Taiwo Owatemi:** When can we expect that announcement, roughly?

Elizabeth Truss: All I can say at the moment is soon.

Q167 **Martin Vickers:** My question is on Project DEFEND, Secretary of State. When you were last before the Committee, you confirmed that you were the lead Department on this. Is the work still ongoing and what information can you share about the supply chain issues it has identified?

Elizabeth Truss: The work is still ongoing. We have made significant progress. As you will appreciate, it is difficult to share confidential information about the UK's critical supply chains, but perhaps this is



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something the Committee might be able to discuss with the Department in a more confidential setting. I would be very happy to facilitate that for the Committee.

Martin Vickers: If we could arrange that, Secretary of State and Chair, I think that would be helpful. Clearly, it is an important area for us to have a look at. I am quite happy to do that.

Q168 **Mick Whitley:** On stakeholder engagement, last month you announced the new trade union advisory group, but the TUC has said that this group "is not a substitute" for "an equal seat around the table with employers", expressing concern that trade unions have been excluded from trade advisory groups, comprising business representatives, that are consulted on sectoral impacts of new trade agreements. Why did DIT decide to separate unions from business in this way?

Elizabeth Truss: We have established the new strategic advisory group which for the first time has an environment and climate change seat on it. We have also established a new trade union group as well as a new civil society group. The reason we have established a trade union group is that we wanted strong input into the chapters we are putting forward on labour in the various trade negotiations we are undertaking, as well as our role at the ILO. We have also established a civil society group that includes NGOs, including environmental NGOs, to be able to have the broader discussion with them. Both those two groups meet two-monthly, so we are in regular contact with them.

That is not in any way a replacement for the trade advisory groups that, as I said earlier, are specifically to advise on industry input into trade negotiations. I have had a discussion with Frances O'Grady and said I am happy to consider additional members of those groups provided those members are prepared to sign confidentiality agreements. We are sharing highly sensitive information and we need to make sure that attendees at those groups are prepared to keep that information confidential for a significant period of time. I have had that discussion with her. I am following up through my officials but we do, of course, want to involve trade union expertise in that group where possible.

Q169 **Mick Whitley:** What was the opinion of Frances O'Grady, the TUC General Secretary?

Elizabeth Truss: Following our discussion, I hope we can come to an arrangement with officials to allow trade union members to attend those groups with the relevant NDA signed.

Q170 **Chair:** How has the DIT enabled the various groups' representatives on STAG to communicate effectively with their various members on trade negotiation, given the members of the STAG are required to sign these non-disclosure agreements? There is a real encumbrance for individuals who represent others on these groups when it comes to going back to the others and discussing.



Elizabeth Truss: I do appreciate that. They are not prevented from talking about anything to do with trade. It is specific confidential terms that we are putting forward that cannot be disclosed, and of course we have to be very careful about this information as well within DIT. What we seek to do, as we did with the Committee when we shared a signed copy of the Japan trade deal, is to find practical arrangements whereby these groups can operate sensibly and be able to have a level of consultation with their members without revealing confidential details that are then going to put the UK's position in jeopardy.

John, would you like to say a bit more about how the operations work? We are trying to strike a balance here between making sure people are engaged and consulted in the broad direction of our trade policy and what we are negotiating while not giving away any confidential issues that would prejudice our position in the talks.

John Alty: Often our trading partners, our negotiating partners, attach a lot of importance to the confidentiality of the information they are giving us, so that is another reason why these NDAs are important. I think we are primarily looking to these people as individuals to provide expertise and input. As the Secretary of State says, obviously some of them may come from representative organisations. Many of those people have found it acceptable to sign the NDAs but we will have to continue to discuss with them how they can most effectively contribute.

Q171 **Chair:** Secretary of State, you recently said in a letter that you were working closely with the Foreign Secretary on the integrated review of the foreign security defence and development policy to ensure that trade is a core component of the strategy. Can you confirm whether the DIT and the UK's international trade policy is a core part of the review's focus?

Elizabeth Truss: I can confirm that I have been part of the discussions on the integrated review, that trade is a core part of our overall foreign and security policy and that we are working very closely together with the Foreign Office, the MoD and other relevant Departments on the review.

Q172 **Chair:** What impact has responsibility for trade commissioners moving from your Department to the new Foreign and Commonwealth Development Office had so far? Do you feel that the Foreign Office is eyeing your area to be part of its ever-growing empire?

Elizabeth Truss: We work very closely with the Foreign Office and our strategy is extremely compatible with the integrated review but also the industrial strategy that BEIS is responsible for. That is helping inform our approach. The TPP accession that we have been discussing is a core part of our lean towards Asia Pacific and our support for the rules-based international system, so that is an example of how we are working closely with the Foreign Office and their goals as well.

My view is that we have a very effective team here at the Department of International Trade and we have shown in the Japan negotiations that our



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negotiators are capable of securing a deal that goes beyond what the EU was able to secure. We made rapid progress on the rollover agreements, achieving 51 countries and signing Kenya this week. We are working well and we are also working well with the Foreign Office and I do not see those as incompatible things.

Q173 **Mark Menzies:** Secretary of State, you said that you were publishing a revised export strategy. In which main areas will it differ from the 2018 strategy and when will it be published?

Elizabeth Truss: What we want to do with our export strategy is first make sure it is completely aligned to our market access and trade negotiation strategy. Providing support for businesses—for example, we want to export to Japan following our successful Japan FTA, so again it is about making sure when we get market access to new markets that we are then encouraging British businesses to walk through that door. Graham Stuart is very much leading on this work. At the moment he is working on a programme to help food and drink exporters export more overseas, working with the likes of the National Farmers' Union who we mentioned earlier. The strategy is very much aligned to our broad free trade agreement and market access strategy, and also to the BEIS industrial strategy, focusing on areas like clean growth, technology—areas where the UK has a comparative advantage.

The final element, as I mentioned earlier, is digitising a lot more of our support, making sure the core basics that companies need when they are exporting—for example, tariff rate information—is all available online and easily accessible. The work of DIT staff is providing that really high value input. We will be saying more about that in due course. Graham Stuart, the Exports Minister, is working on that.

Q174 **Mark Menzies:** Indeed he is working on it. In recognition of all the many successes that are being delivered, will DIT be keeping its target of exports accounting for 35% of GDP and, if so, will you set a timescale for achieving that?

Elizabeth Truss: We are making significant progress towards that target and very positive export figures have been put out recently. In the overall metrics by which our Department is judged, we are looking at that as part of the spending review exercise. We are currently in discussions with the Treasury about the best metrics to reflect the performance of the Department as well as the performance of exports and investment in the overall economy. I think it is very important that we have targets that Ministers can influence the outcome of, and also that officials can influence the outcome of. We are in discussions with the Treasury about those and we will put those into the public domain in due course.

Q175 **Chair:** Secretary of State, there are couple of questions coming up towards the end of this.

Elizabeth Truss: I am very worried about your sheep. They might get lost.



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Chair: We shall hope for the best as regards the sheep, but at least they are in a field at the moment. They could be in a better one if it wasn't for this.

I want to raise the point of the difference between a trade deal with Ghana. I know that Kenya has moved on. They are compatible with Ghana's other regional trade commitments. What can the UK do to ensure that market access and avoid costly tariffs on products from Ghana disrupting supply chains come January?

Elizabeth Truss: The issue with Ghana, as I have said, is that because of their economic status they are not eligible for unilateral tariff-free, quota-free access. We want to roll over the deal they currently have with the EU that would give them quota-free, tariff-free access. On the other regional agreements, we would be very happy to sign a broader regional agreement but it does take the other countries in that agreement to agree it. The issue is that those other countries do have access to the unilateral tariff-free, quota-free preferences.

I think we are in a similar situation to the one with Kenya, and the way through that is for Ghana to work with us to roll over the existing agreement they have with the EU. We are simply not in a position to agree quota-free, duty-free access because they are not in the position of being a low enough income country and we cannot violate the WTO rules on that.

Q176 **Chair:** Thank you, Secretary of State. I met in the last few days or so with the British Specialist Nutrition Association. It is very worried about medical food, infant formula and baby food. Baby food would see tariffs of about 17% in a no-deal Brexit scenario, and it would cost families about £49 million a year. Infant formula would add 6% tariff and cost parents and young children £22 million a year. There could be a further hit on families in this time of Covid-19, furlough and Brexit because of these tariffs. If there is a no-deal Brexit, how cognisant is your Department of those and how likely would you be to waive tariffs to ensure that families were not hit with this extra no-deal tax?

Elizabeth Truss: We want to get a deal with the EU and we are negotiating at the moment. Lord Frost is negotiating that deal as we speak. As I have said, we are prepared to go to Australia-style terms if we do not get that deal with the EU, and as you are well aware—

Q177 **Chair:** The point I am trying to make is that WTO terms are expensive for families.

Elizabeth Truss: I appreciate that point.

Q178 **Chair:** You do not have to lay it out here, obviously, but have you thought it might—

Elizabeth Truss: The Government have announced their UK global tariff, which is more liberal than the European tariff and simpler in a number of areas.



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Q179 **Chair:** But a 17% hit on baby food and 8% on infant formula is not really in a family budget at the moment. You do not have to give me answers today. I just want to know that this is on your radar. This potential problem could arise in January if there is no agreement. Hopefully, there is an agreement and this will be covered, but I am sure a lot of people would like to know this is on the Government's radar, given the Marcus Rashford situation that we have had with school meals and the rest of it. Basically, what I am saying is that this is not an unknown thing.

Elizabeth Truss: Of course these are issues that we look at across Government, including with DEFRA and the Treasury.

Q180 **Chair:** Medical foods would be a money-go-round between the Department of Health in the UK and the Treasury. I assume you would not particularly want to see that extra tariff on those foods either.

Elizabeth Truss: We look at these issues as a Government, of course we do, but we have been very clear that we want a deal with the EU.

Q181 **Chair:** Moving to the pharmaceutical area, something else of concern has crossed the desk. Companies such as BASF and others are concerned about the changes to their links with REACH and the cost of re-registering, for little extra gain, being many millions—many tens to hundreds of millions. What can be done there? They are repeating what they have already done, and there is no gain. That is a bureaucrat's dream. What thoughts have been going into that?

Elizabeth Truss: I might pass that question about the bureaucrat's dream to John Alty.

Chair: No personal slight intended, Mr Alty.

John Alty: None taken. My answer is that is being addressed in the EU negotiations. It is not the responsibility of our Department and of course we are trying to get, as the Secretary of State said, a good deal with the EU but one that respects our own independence and regulatory independence.

Q182 **Chair:** I think that is the nub of the problem, because they will be happy with associate membership of REACH. It would save a lot of inefficient spend and employees' time, but the ultimate arbiter would be the European Court of Justice. That position of pride could cost us tens of millions. Is that basically what the UK Government are saying?

Elizabeth Truss: The reason people voted to leave the EU is to regain our sovereignty and independence, and that is a key plank of our negotiations.

Q183 **Chair:** Do you think they realise the knock-on impacts to drugs and drug availability, drug testing and drug licensing in among all that? I was unaware of it until after the vote.

Elizabeth Truss: We had the vote in 2016. We then had an election at the end of last year where the Prime Minister presented his vision for a sovereign independent nation and we secured an 80-seat majority, so I



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think the public are well aware of our plans and wholeheartedly in support of them.

Chair: Secretary of State, if you can find a way to navigate around the labyrinth of government to prevent that cost to pharmaceuticals for doing their core purpose—and, indeed, in the area of baby food—that would be appreciated. Meantime, we appreciate your time here this afternoon. We are grateful for your answers on the questions about Japan, which will inform our further deliberations next week on the Japan agreement. Colleagues, thank you all. I think we have reached the end of proceedings for this afternoon. Secretary of State and Mt Alty, thank you both for your attendance and hopefully it will not be too long until we see you again at this Committee.

Elizabeth Truss: Yes, I am looking forward to it.

Chair: Great; that is a good sign. Thank you.