

Welsh Affairs Committee

Oral evidence: [Brexit and trade: implications for Wales](#), HC 176

Thursday 5 November 2020

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Members present: Stephen Crabb (Chair); Tonia Antoniazzi; Simon Baynes; Virginia Crosbie; Geraint Davies; Ben Lake; Robin Millar; Rob Roberts; Beth Winter.

Questions 150 - 191

Witnesses

I: The Rt Hon Greg Hands MP, Minister of State for Trade Policy; and the Rt Hon Simon Hart MP, Secretary of State for Wales.



Examination of witnesses

Witnesses: Rt Hon Greg Hands MP and Rt Hon Simon Hart MP.

Q150 **Chair:** Good morning and welcome to this meeting of the Welsh Affairs Committee where we are continuing our inquiry into the impact of post-Brexit trade arrangements on Wales. I am delighted this morning that we have been joined by two Government Ministers, the Rt Hon Simon Hart, who is the Secretary of State for Wales, and the Rt Hon Greg Hands, who is the Minister of State for Trade Policy. I am delighted that you have both found time to be with us and we hope that this is going to be an important and interesting session.

I will kick off by asking you, Minister Hands, to briefly describe, for the benefit of the Committee, what the UK Government's trade strategy is. In a nutshell, describe the strategy that you feel we are approaching.

Greg Hands: The strategy is to fulfil our manifesto pledges and to have 80% of UK trade covered by free trade agreements within three years. It is also to fulfil our pledges of no compromising on our high environmental, animal welfare and food safety standards. More broadly speaking, we are here to promote exports, inward investment and UK export finance, to make sure that exporters and companies have access to financial support, and to be a strong, forward-looking advocate for global free trade and the multilateral rules-based system at the World Trade Organisation and beyond.

Q151 **Chair:** The Prime Minister himself has said that he regards a no-deal outcome in the current talks with the EU as—I think he has even used the phrase—a good outcome. The energetic approach that we have been taking to trade talks with the US now looks potentially like a much longer-term strategy, with the changes going on in US politics and the potential of a Biden White House. Do you feel that we are in danger of finding ourselves in the worst of all possible worlds where we do not have a deal with the EU, or at best we have a very skinny trade deal with the EU, and in a very long, drawn out conversation that could last for decades in getting a trade deal with the US?

Greg Hands: I wouldn't agree with that. The negotiations with the European Union and the United States are live currently. We are at an advanced stage on the US negotiations. We have done five rounds of talks and the most recent round was extremely productive. We are at an advanced stage of text production, including tariff offers, and we are in a good place on that negotiation. Obviously, we will have to see what the results of the election are—we don't even fully know the results yet—and what that may mean. Clearly that could have implications in different scenarios of the result.

Broadly speaking, we are in a good place. We have agreed to have a further round of talks on an official level before the end of the year and we remain on a good track with the US negotiation.



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Q152 **Chair:** Secretary of State for Wales, what do you regard as the most important components for Welsh economic interests in the overall UK trade strategy that the Minister has just described?

Simon Hart: To be honest with you, I think it would be dangerous to suggest that there was almost a parallel and therefore arguably different set of ambitions and objectives. The Union case that we continually make is made for good reason. I was listening to the Minister outlining the strategy, and that is precisely the strategy that we would like to be part of. It is precisely why we consider the Union important and it is precisely why we should be approaching this as a UK-wide endeavour. While there are some unique elements of Welsh traits, unique brands and, I suppose, unique ambitions, the idea that we could flourish and thrive with a similar looking but different set of ambitions, approaches and negotiations to me would be foolhardy.

Q153 **Chair:** Are you as equivocal about striking a trade deal with the EU as the Prime Minister has sounded at times? Do you regard a no deal as a good outcome?

Simon Hart: Without sounding like I am trying to avoid answering that question, let's just rewind a couple of loops first. When we are so close to what some people consider will inevitably be the conclusion of those arrangements, it is tempting to second-guess what the outcome will be. I have said in front of this Committee before that I anticipated a year out—let alone two weeks out—that this would go to the wire, and there will be a lot of speculation in the next 10 to 14 days about how it will end. There will be those who say that an outcome is possible and those who say an outcome is impossible.

Anyone on this call who has ever been involved in any kind of negotiation at any level, whether it is domestic or commercial, will know that the chances are it will be but a few minutes from the deadline when agreements are reached, hands are metaphorically shaken and we will be in a clearer position. What I am saying is that it could go either way, but to rule out a favourable outcome now would be very unwise.

If we are looking at hypothetical circumstances, of course it is right to ask, if we are unable to reach an agreement by the final deadline in but a few days' time, is it then possible to flourish under the Australian-style arrangements? We have been doing comprehensive stakeholder engagement, to use the phrase, over the last few weeks, some of it around readiness but some of it around wider considerations. I have been quite struck how business interests in Wales are not only increasingly prepared for any outcome, but actually see that there are some quite positive opportunities arising out of an Australian-style arrangement, if that is the scenario we eventually end up with.

Q154 **Chair:** Thank you very much. I would like to ask you a couple of questions relating to the management of and response to the pandemic.

Wales will be coming out of its firebreak lockdown period shortly. Tonight



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England goes into another period of lockdown. We have variable lockdown arrangements in the constituent parts of the United Kingdom, but we have only one UK-wide Bank of England and Treasury delivering the financial support for businesses to survive during these periods. Can you describe, for the benefit of the Committee, what the arrangements are in relation to furlough for Welsh firms beyond the Welsh firebreak who will, nevertheless, be impacted by the consequences of an English lockdown over the coming month?

Simon Hart: You put your finger on a dispute, debate and discussion we have had in this Committee going back quite a few weeks now, which is how to best operate a UK-wide reaction, whether it is economic or disease control, to Covid at the same time as recognising the finer detail of the devolution settlement. That has tested individuals and Governments to the limit over the last few months.

As I have also said on this call, it is extremely difficult to persuade businesses that there is a reasonable strategy in place if the constituent Governments of the UK are being seen to disagree for reasons that are anything other than evidence based. That is where the problem lies. The Prime Minister has made it very clear over quite a long time that if there is evidence that suggests a different approach is needed in different parts of the UK, that is an entirely justifiable and reasonable route down which to go. If, however, decisions are made without explanation, without supporting evidence and without support measures in place, it becomes very difficult for people to understand and, therefore, makes compliance more difficult. At the same time, if you are running a business that has footprints in different parts of the UK, it makes it doubly complicated when you have to apply different sets of rules for reasons that are not immediately obvious.

On furlough schemes, the last two weeks have been a classic indication of exactly the problem I highlight. The reason for that is simple. As you know, back before the recent lockdown the Welsh Government decided to introduce their new measures with effect from 23 October. There was a conversation with the Treasury, with Rishi Sunak and the First Ministers, at which the First Minister of Wales asked the Treasury if they could bring forward the date for the new scheme, which at that stage was taking over from furlough. The Chancellor made it very clear to the First Minister that for purely logistical reasons—nothing more—they could not get the new scheme in place before 1 November and, therefore, they would not be able to tap into the new scheme on 23 October. For reasons that are entirely within the gift of the First Minister, he decided to proceed anyway and therefore created a situation.

I know the question was on furlough; yes—committed to December. I think that committing beyond that point, because we do not know exactly where we are going to be at that time, is a decision for Downing Street and the Treasury, but we are committed as far as December.

Q155 **Chair:** A company inside the Welsh border, on the Welsh side, that loses



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a large proportion of its customers as a result of the English lockdown during the month of November will be able to furlough staff and benefit from the UK scheme. Is that correct?

Simon Hart: I am not sure I completely understand that question. Could you just rephrase it, please?

Chair: I am asking about the economic consequences for Welsh companies as a result of the English month of lockdown that we are going into tonight, and whether Welsh companies will be able to benefit from the UK Government's furlough scheme during the period of the English lockdown.

Simon Hart: I am really sorry, but I need to get this right. Are you saying this is for employees who are working for a Welsh company but are based in England or an English company that is based in Wales, or employers who might be working either side of the border?

Chair: No.

Simon Hart: What question are you asking?

Chair: Secretary of State, sorry; it is much simpler than that. There are many companies in Wales that operate close to the border with England and have many English customers. A number of these companies will face the prospect of losing a large share of their customers as a result of the restrictions that will kick in England-wide from tonight for the next month. I am asking whether those Welsh companies affected will be able to benefit from the furlough arrangements.

Simon Hart: I can't give you a direct answer on that. It sounds to me like one of those areas that half an hour's research my end will get right. I can probably come back to you by the end of the session. I am nervous about making a commitment on that because I don't know the answer. To be honest with you, it may be wise for us to wait until the Chancellor makes his statement today. I think that is sufficiently complex for us to say, "Let's just wait and see what he says today." He will be questioned on that very point, probably by people on the Committee. I am not in a position to say with absolute certainty what the answer to that is.

Q156 **Chair:** Fine, thank you. I will finish with one more brief question. It relates to the coming Christmas period. Obviously, we do not know exactly what kind of scenario we will face UK-wide, but can you give the Committee an insight into whether there is any serious four-nations work going into trying to achieve a coherent UK-wide plan for the Christmas period that will allow maximum opportunity for people from across the UK to visit family and friends wherever possible?

Simon Hart: I can give you a 100% rock-solid guarantee that there is a heck of a lot of work going into that ambition. Whether it will result in the outcome that you outline is a different matter. I would like to think that it can. There is a degree of positive collaboration between UK and Welsh Governments on this particular point. One obvious example is the student



population and how that can move freely and safely back home, whether it is English students in Wales or Welsh students in England, and indeed in the rest of the world. That is work in progress.

I want to remind the Committee of something I said at the last session, if not the one before that, which is that on seven out of 10 occasions there is very positive and fruitful collaboration between UK Government and Welsh Government on Covid-related matters. On three out of 10 occasions it is more challenging. That tends to be reported more gleefully, as we know. I would hate the Committee to think that the relationship between UK Government and Welsh Government on Covid-related matters and Covid recovery-related matters is not, by and large, constructive, certainly in its intent and quite often in its outcomes too.

Q157 Ben Lake: Thanks to the Minister and the Secretary of State for joining us this morning. I would like to ask a little bit about the level of engagement the UK Government have with the devolved Administrations in the context of trade negotiations. It is a question in two parts. The first part is: how do you describe the level of engagement between the different Governments? Then could you explain a little bit about what the main forum for intergovernmental dialogue on international trade is?

Greg Hands: In general, I have a very good relationship with the Welsh Government. From a DIT perspective, relations with the three devolved Administrations are within my portfolio. I had a very good relationship with Baroness Morgan until the recent Welsh Government reshuffle, and I had a good introductory meeting with Jeremy Miles last week, if I am not mistaken. We work well together while recognising the parameters of the devolved settlement. Trade policy is a reserved matter for the UK Government but clearly it has impacts in areas of devolved competence such as agriculture, management of different support schemes for Welsh industry and so on.

We have to respect the devolution settlement. In my experience, we and the Welsh Government work together well within those parameters. If I am not mistaken, I met Baroness Morgan five times, all virtually, from when I took on this aspect of the portfolio in early May. I had very frequent meetings with her and am expecting to have the same with Jeremy Miles.

The main way we do it in a more structured way is the ministerial forum for trade, which is intended to be quarterly. We have had three meetings of that so far this year, most recently in July. There is another one coming up later this month where I and the three devolved Administrations' Trade Ministers or relevant Ministers sit down and discuss the issues in front of us. I also correspond with them very frequently whenever there is something significant coming up, for example the recent decision to put the Trade and Agriculture Commission on a statutory footing. I have written to the three Ministers with updates on the Japan deal and where we are on the latest round of talks with the



US. There is frequent written correspondence between me and them as well. I hope that answers your question.

Q158 **Ben Lake:** Thank you, Minister. That is very useful and informative. On the discussions that you have with Ministers in the devolved Administrations, would it be correct to understand that not only are they regular, but they entail some briefings before any negotiations on future deals or any discussions on strategy? Would that be a fair understanding of how it works?

Greg Hands: Yes, that is a fair understanding. Obviously, all trade negotiations involve a lot of very confidential documents about what is happening at the negotiating table. We need to protect the fact that trade policy is a reserved matter. It is in the UK's interest overall to make sure these things work across the four nations and it helps with our negotiating partners. Our negotiating partners need to know that something that we are negotiating for the UK Government will take effect across all four nations.

It is strongly in my interest, too, to make sure that we have a good dialogue with each of the three devolved Administrations because a lot of the matters are matters of devolved competence while recognising the parameters of the devolution settlements. It is in my interest as well to have a good relationship with the three devolved Administrations.

Q159 **Ben Lake:** Finally, perhaps I can tempt you to comment on a hypothetical about some of the structures we find in other countries around the world, and how they structure their trade negotiations and trade policies between the central government and the sub-state legislatures. Have you had any experiences abroad or lessons from other countries that may well be applied to the UK in future?

Greg Hands: That is a very interesting topic and something that I have taken a look at in my various stints in the Department for International Trade. The conclusion I have drawn is that everybody's constitutional settlement is different. Canada and the US are essentially federal-style systems. The EU, of course, has its own structure. Similar Westminster style democracies—Australia, New Zealand, Canada—also have very different structures. Every structure is different.

One has to be careful in these matters. Looking at the EU's experience, for example, in getting the Canadian deal across the line, I will take you back to exactly three years ago, 2017, when the Walloon Parliament was holding up the whole of the European Union from being able to benefit from the Canadian deal by effectively trying to operate a veto.

Our constitutional settlement is the right one in this area. Trade policy remains a reserved matter, but the implementation of various aspects of trade agreements involves a devolved competence, so it is strongly in my interests to work with the three devolved Administrations.

Ben Lake: Thank you, Minister; diolch.



Q160 **Tonia Antoniazzi:** Minister Hands, we have heard concerns that a no-deal Brexit would impact certain sectors in Wales more heavily compared to the rest of the UK. The Secretary of State has talked about the UK being one, and maybe not having special consideration. To what extent have key industries in Wales been factored into the EU trade negotiations?

Greg Hands: Thank you, Ms Antoniazzi. First to be absolutely clear, the EU trade negotiation is a matter for Taskforce Europe under the Cabinet Office; it is not a matter for the Department for International Trade. That demarcation is clear. It is our job to do the negotiations with the United States, Japan, Australia, New Zealand, CPTPP and the rest of the world.

In the negotiations I am responsible for, I interact very frequently with the Welsh Government and I ask the Welsh Government Ministers—Baroness Morgan was quite helpful in this regard—what are the key interests for Welsh industry and Welsh agriculture in these talks. On top of that, I interact directly with Welsh business and Welsh agriculture. I have met both of the agriculture bodies, NFU Cymru and the Farmers’ Union of Wales—I think I have the name correct. I have also interacted directly with Welsh industry bodies and agriculture outfits.

Q161 **Tonia Antoniazzi:** Is it appropriate for me to ask you what assessment you have made of the implications for the key sectors of the Welsh economy, including agriculture and manufacturing, of the UK trading with the EU on WTO terms, or should I direct that question to the Secretary of State?

Greg Hands: It might be easier if the Secretary of State comes in. That sounds like a pure EU exit question.

Q162 **Tonia Antoniazzi:** I just wanted to know, Secretary of State, what assessment you have made of the implications for key sectors of the Welsh economy, including agriculture and manufacturing, of the UK trading with the EU on WTO terms?

Simon Hart: There have been, and there are, ongoing conversations with all the key stakeholders—all the key and well-known brands and industries that you would expect at this stage. There is quite a lot of scenario planning around that, looking at the different potential outcomes, the different support measures that could be in place and the different periods of time over which the effects may or may not be felt. It is very hypothetical, for reasons that I think we have already discussed on this Committee.

To choose an example, because the Minister was hinting at his conversations with NFU Cymru and the FUW—in fact, I will be on calls later today with the NFU conference—an issue that always comes to public attention at this time is the export of Welsh lamb. There have been extensive conversations with DEFRA, with George Eustice, the Secretary of State, around that directly and through the Wales Office. If the Committee casts its mind back to the no-deal Select Committee hearings



last year, George Eustice and the DEFRA team set out a number of different ways in which the particular scenario that you mention would be dealt with financially and in other matters too.

DEFRA has already been looking at a “here’s one we made earlier” type of model. It continues to update and refresh that with the farming unions in particular, looking at what financial support would be necessary and in what form it could be reasonably, legally and fairly deployed to address individual sector obstacles, if that is where we ended up.

Q163 Tonia Antoniazzi: On that point, what specific assurances can you give that Wales’s economic interests will be supported in the event of a no deal? You have spoken about what has happened in the past. Where are we up to now? What is the most recent update?

Simon Hart: If we stick to the lamb theme by way of an example, the arrangements that were being discussed and put in place during the course of last year are not just sitting on a shelf gathering dust. Those plans and arrangements are constantly being revisited with a view to making sure that if we end up in that particular scenario, those interests are properly protected.

It is fair to say that across all sectors, not just agriculture, there is a constant dialogue between, more often than not, Treasury as the direct controller of the public purse and other Government Departments in relation to particular sector pressures or particular sector risk. That is an ongoing project. You have heard of the readiness preparations that the Government are ramping up UK-wide at the moment. As it is quite rightly pointed out, if people currently trade with the European Union, whether or not we end up with a deal, it is a deal or a no-deal requirement that they will need to engage in quite a lot of preparation to be ready for the end of the transition period.

There has been a little bit of a misunderstanding about the idea that this set of obstacles, challenges and opportunities will only occur in the event of a no-deal Brexit. Actually, there are significant changes that need to be put in place even in the event of a deal. The scenarios that exist between a deal and no deal all require readiness and preparation by pretty well every sector in Wales. Obviously, those that trade principally with the European Union are uppermost on that list.

Q164 Tonia Antoniazzi: You have given assurances that Wales’s economic interests will be supported in the event of no deal. How are the Government going to ensure that in the time limit that exists before the end of the transition phase, Welsh businesses are able to adapt to trading arrangements with the EU? Time is running out and, apart from a few adverts on the radio, I am not confident that they have enough time or have that clarity.

Simon Hart: The approach is exactly the same across the whole of the UK. It is not a particularly Wales-specific approach, although it is clearly



tailored for individual sectors and individual areas of the UK. The level of engagement and the level of recognition that preparations need to be undertaken is rising rapidly. People are very quickly clocking on to the fact that, as you rightly point out, time is not on our side with this and preparations need to be put in place.

We had a conversation last week with various membership organisations and trade associations in Wales that set out quite explicitly how their members divided into three categories. Those who felt that they did not need to do anything and therefore had not done anything—you could almost put them in the “denial” bracket—were a relatively small number; those who had made certain preparations, but probably not all, were a higher percentage; and those who had made all of the necessary preparations were an even higher percentage.

Interestingly, those numbers are changing positively even in the short time that has existed between that call and now. While I cannot sit here and say that every single business that needs to prepare will be held by the hand and walked through the process in time for the end of the transition period, the number across all sectors—across the whole of the UK, let alone Wales—that are rapidly getting to a stage where they are properly prepared is increasing all the time. Where, as I think you pointed out in the early part of your question, there is a sector that is at particular risk—not because it has not been able to prepare, but because the market will be potentially distorted by one or other outcome—the financial and sector assistance is part of separate discussions. In the case of agriculture, I have had such discussions in the last few days with George Eustice, and there will be numerous similar conversations between now and Christmas. I can be reasonably positive that the rate of engagement is improving all the time.

Q165 Simon Baynes: I freely admit that my first question has been touched on previously in the discussion, but basically it is about looking again at how confident you are that there is still sufficient time for the UK and the EU to reach a comprehensive free trade agreement before the end of the transition period. It is also about looking at the suggestion that the introduction of the United Kingdom Internal Market Bill has impacted trust and created an atmosphere of hostility between both parties. Let’s start with the Minister first and then the Secretary of State, please.

Greg Hands: Thank you, Mr Baynes. Without trying to dodge the question, neither of those are within the remit of the Department for International Trade.

I will say something about the UK Internal Market Bill because, notwithstanding any conversations between the UK Government and the Welsh Government, I should stress the importance of the UK Internal Market Bill for our international trade. Our trading partners need to have confidence when they are negotiating with us that the UK will preserve its internal market and that they will be able to move their goods and services, for which we are negotiating more favourable access, into the



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UK and will be able to move within the UK internal market, also respecting devolution settlements.

The UK Internal Market Bill is also very important for the Department for International Trade. However, I think the broad thrust of your question is outside our remit. Without sounding like I am trying to dodge the question, I going to pass that over to the Secretary of State for Wales.

Simon Hart: Thank you for that. There are two parts to the question. On time for a deal, we have all been reading the same report that focuses on the fact that there is quite wide agreement on numerous key areas, but the sticking points still seem to be around level playing fields and fisheries. I don't want to diminish the significance of those by saying that there are only a couple of outstanding matters. They happen to be a couple of extremely important outstanding matters, and they may yet prove to be a very challenging part of these negotiations.

I maintain that it is desirable, possible and likely that there is still sufficient time in the system for an agreement to be reached that is largely to the satisfaction of everybody concerned in the available timescale.

On your point about the UK Internal Market Bill, I think you touch on quite an interesting distinction between its impact on the relationship between UK Government and Welsh Government and its impact on the relationship between UK Government and stakeholders. In the former category, our relationship with Welsh Government has proved to be quite a challenge, and it is unlikely at this stage that the Welsh Government would grant an LCM for that legislation because they disagree—as do the Scottish Government—on so many of the fundamental aspects of the Bill.

However, that is not the case with businesses, investors, job creators and those who contributed to the public consultation on this matter just a few weeks ago. The reaction we had from them, and continue to have from them, is that the UK Internal Market Bill is an entirely logical process given the change in the constitutional settlement and our leaving the EU. Indeed, most contributors we have spoken to do not understand why we are having a discussion about it at all, because a level UK internal market is a situation they have been operating under for some years. The fact that that is now going to be enshrined in UK law would seem to them to be an entirely logical step. There are some political icebergs that we need to navigate ourselves around, but the relationship with those who will bear the brunt of the consequence of this is quite positive.

Q166 **Beth Winter:** As you just mentioned, Welsh Government and many agencies, organisations and others have significant concerns about the Internal Market Bill, and that is putting it mildly, I think. Jeremy Miles and the First Minister have said that the Bill will drive a coach and horses through the capacity of individual Governments to deliver the policy objectives in our economy.



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I have two supplementary questions. In 2017, the four UK Governments agreed to develop a common framework agreement to enable the functioning of the UK internal markets. Rather than mutual recognition, why haven't the shared frameworks been legislated for? That would seem like a logical next step, as far as I am concerned.

Given that the Internal Market Bill is now being forced through, specifically how much contact have you had with David Frost directly to stand up for Welsh interests? Have you written to him outlining Welsh priorities?

Simon Hart: There are a couple of points in your question that I hope you will forgive me if I respectfully reject. The first is that there is a wide range of interested parties in Wales who have significant misgivings about UKIM. We had a public consultation on this basis. I do not want to diminish the significance of it, but the only real opposition that we have picked up on is that which has been put forward by Welsh Government. Most stakeholders who are out there employing people, battling their way through a difficult time over Covid and looking for positive economic indicators for next year and beyond are largely content with the UK Government's direction of travel in this regard, and have seen no problems in the legislation as it stands. As nicely as I can, I reject that premise.

On the argument about legislation being forced through, legislation is going through the normal process in Parliament and is subject to a democratic vote. If that democratic vote happens to come down in favour of the piece of legislation, I don't think that quite qualifies as being forced through. It means it has been passed in the normal manner.

On the common frameworks point, the common framework negotiations have been going on for four years. I was at a meeting, two weeks ago possibly, with Chloe Smith, who is the Minister leading on this particular point, at which Welsh Government Ministers and officials were present, if my memory serves me right. There is no particular controversy over some of the progress that has been made, albeit slowly, with common frameworks.

Finally, on your question about whether I have had direct contact with David Frost, it depends whether you describe as contact numerous meetings of Ministers of Welsh Government and UK Government with the EU negotiating teams. If you do, the answer is yes. The second part of the question was: have we made our feelings known to the centre—in this instance the Cabinet Office—about the potential upsides, opportunities and dangers? The answer is yes.

Q167 **Simon Baynes:** I would like to look at state aid, because that has become a critical feature in the UK's negotiations with the EU. I am interested in both your views on why this has become such a red-line issue. Perhaps we can start with the Secretary of State and go to the Minister after that.



Simon Hart: I will stick to generalities on this point. The way I look at the state aid situation is that it seems to be potentially hazardous for us to have a state aid system that might vary across the four nations of the UK. If the question you are asking includes a reference to the debate about whether this should be reserved or devolved, I would give that answer. It is really important that we have one consistent set of state aid rules across the UK. Even if we could negotiate something that was level now, there is no guarantee that would endure into the future. I think it is very important that it remains a reserved matter.

To those who make the point, quite unreasonably, that under the devolution settlement, unless it is specifically reserved it is therefore specifically devolved, I would say that state aid rules have been reserved to the EU and we have lived in reasonable contentment over the years with a reserved model around state aid. The only thing that is going to change is that the reservation that used to lie with the EU is now going to lie with the UK Government.

On a political level, I am relaxed about why we are doing as we are. The Minister may have some more views on the detail.

Greg Hands: I agree with what the Secretary of State was saying about the importance of the issue. Broadly speaking, you will know that the history of state aid within the European Union is that the UK provides an astonishingly small amount of state aid compared to most other European countries. The interesting history of the issue is that the UK has never been an enormous provider. People on this Committee may have a different view on that, but the UK has very few state aid infractions against it compared to even Germany. The UK gets less than a fifth of the cases against it that Germany, France and others do. It has never been something that the UK has looked to do in any significant way during most of our membership of the European Union.

I also stress that we are looking to secure a Canada-style deal with the European Union. There are state aid provisions in the CETA agreement—the EU-Canada agreement—which we are also seeking to roll over. Again, I don't think there is anything revolutionary or radical going on in the space of state aid.

Simon Hart: I was just checking my own notes on that. There is going to be further public guidance published before the end of the year, which will cover our position on WTO rules as they relate to subsidies and other commitments. There will be a consultation that also seeks people's views about going further and whether there is a need to legislate for that. There will be some additional opportunities for debate and progress on this.

Simon Baynes: Thank you, Secretary of State and Minister.

Q168 **Virginia Crosbie:** Good morning, gentlemen. It is really nice to see you both. In my constituency of Ynys Môn, I have Holyhead port, which is the



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second largest roll on/roll off port in the UK. We have had HMRC, Welsh Government and the Isle of Anglesey County Council working closely together to minimise disruption. What assurances can you give Gwynedd Shipping, Stena and other companies that rely on the port for their supply chain that the infrastructure will be in place to minimise customs disruption?

Simon Hart: Progress is good. As you know, there have been a couple of false starts with the identification of a physical site to be in place by July of next year. I heard this week that there is some progress around that and that there is an expectation that the deadline can be met. Port infrastructure generally is the subject of probably three or four meetings a week to ensure that the potential risk for inconvenience is minimised. Sites are popping up. Construction is under way and, as far as your own constituency is concerned, I am as confident as I can be that that is going to be in place. I have a meeting coming up with Jeremy Miles and Minister Lopez as early as Monday or Tuesday next week, I think, which will be the latest position check on where we are. I am very happy to report back to you and the Committee after that meeting, but I am reasonably confident.

Although I have not been asked the question, I am going to answer it anyway. There is, of course, a slight distinction between the arrangements around Holyhead and the arrangements around, for example, Fishguard and the port of Pembroke in my area—mine and the Chairman's area, in fact—which is devolved space and that is a matter for Welsh Government, just in case anybody was going to ask a question about those two ports as well.

Greg Hands: Thank you, Ms Crosbie, for that question. I was going to [*Inaudible*] on other matters in relation to Ynys Môn and Anglesey in terms of geographical indicators as well.

I think the basis of your question is not really within the remit of the Department for International Trade, but the Trade Bill is. You will know that the fourth part of the Trade Bill is all about Government data collection and Government data sharing in aspects of trade—initially just HMRC data but now all aspects of Government data relating to trade. I have had very good conversations with the Welsh Government over the last few months about how we can have a reasonable approach between the two Governments in being able to share data where it will assist both Governments in carrying out their areas of competence.

Notwithstanding what the Secretary of State was saying about Holyhead and the difference between Holyhead and other Welsh ports, in areas of data—where having access to trade data will assist the Welsh Government in delivering areas within their competence—I have had very good discussions with the Welsh Government to enable that to happen, so that they can have access to data in areas of devolved matters to help deliver free-flowing trade, which is so important to your constituency, to make sure that trade continues to flow from Holyhead.



One of the reasons that has led to the Welsh Government recommending consent to all of the clauses is that we have agreed, while respecting the devolution settlement and respecting the fact that trade policy and trade agreements are reserved competences, that we can work together to make sure that we use data in a way that improves flow around ports or through ports.

Q169 Virginia Crosbie: Could you elucidate on what type of data it would be, please, Minister, and perhaps share with us the difference between 1 January and 1 July—those different key points?

Greg Hands: On the latter, the Border and Protocol Delivery Group, the BPDG—not the easiest of acronyms to say—has looked in the border operating model at the different phasing of border controls coming in in January, then in April, and then in July. I would advise all members to study carefully the border operating model and how those different requirements will change.

There are essentially two parts to the data in the Trade Bill: first, HMRC data and the ability to share HMRC data and, secondly, wider data. For example, if we are collecting trade data and trade data are giving some indication of what is going through our ports or not going through our ports, the ability to share that data in the area of devolved competence with the Welsh Government will bring benefits to Welsh businesses and Welsh consumers, which after all is what we are all seeking to do. There is no point doing trade unless it ultimately brings benefits to our exporters and our consumers. Working together on that I think makes good sense and we have had good conversations with the Welsh Government as to how we do that.

Virginia Crosbie: Thank you, gentlemen. That is very helpful.

Q170 Beth Winter: We have heard and received quite a bit of evidence about concerns regarding congestion at ports that could lead to disruption of supply chains and food shortages. What solutions have you developed to avoid such a scenario arising at the end of the transition period and beyond? I will direct that to the Trade Minister.

Greg Hands: It is not my role to deal with congestion at ports. I do not want to sound evasive but that is certainly not within my remit. I will ask the Secretary of State to come in on congestion around Welsh ports.

Simon Hart: It is a question that gets raised quite a bit, and I accept that. We have been on the receiving end of a number of queries. The answer is that traffic management around ports, like Holyhead as an example, is devolved and is, therefore, the responsibility of Welsh Government. The UK Government are working alongside Welsh Government at official level to try to minimise any impact. You have probably read that DfT has secured contracts for nearly £80 million with four ferry operators, and that will assist in the guarantee of a smooth flow of critical goods into the UK after the transition period.



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One of the benefits, if I could describe it as that, of our experiences over Covid is that the resilience of the supply chain has been quite severely tested and found to be pretty good. We have had something resembling a bit of an exercise in testing the areas that you quite rightly shine a light at that may be at risk in the future. Without trying to duck this and say it is a Welsh Government problem, it is a Welsh Government problem but we are trying to make sure that we work alongside them in resolving any issues.

Q171 **Beth Winter:** We have this “Time is running out” campaign. How realistic is it that that will succeed in helping businesses to be prepared for the new trading arrangements?

Simon Hart: Like all of these things, on its own, it is only one component part in a wider campaign. We know that something in the region of 650,000 different enterprises in Wales could be in some way impacted by the changes that are coming along—some to a huge extent, and some to a very marginal extent. We are trying not only to get in behind the national, UK-wide campaign to raise awareness, direct people to the urgency of this and help to walk them through the process so that they are ready; but also to go through membership organisations, such as the CBI, FSB, NFU and various different representative organisations. That is so that individuals do not just hear it from central Government and possibly zone out from the advert or the notice that may ping into their inbox, but they hear it from their peers, colleagues, customers and supply chain as well.

The Cabinet Office measures the impact of these campaigns quite closely. We think at the moment that engagement is improving and people are recognising what needs to be done and by when, and are reacting accordingly. We are trying to identify individual areas of each sector where perhaps people are not quite fully sighted yet, and to make sure that we can direct them to the right website or helpline in time so they have the proper opportunity to prepare and fully understand what that preparation includes. If we do this again in a month, I think I will be able to report even more positive progress than I can today.

Q172 **Beth Winter:** I hope that is the case, because that is very different from the evidence that we have been receiving. I want to make a comment before I move on to the next question. I find it interesting that, at times, the comments that you and others in UK Government make seem to refer responsibility down to Welsh Government, but when it suits you, you say that something is a UK Government responsibility. I welcome your comment about taking a partnership arrangement, because that is what has been clearly missing from negotiations.

It would be remiss of us, as a Committee, not to take this opportunity to make reference to the Shared Prosperity Fund. As you know, we have published a report in the last few weeks that clearly stated that the UK Government must urgently work with devolved Governments in Wales, Scotland and Northern Ireland to agree priorities for the Shared



Prosperity Fund and co-create the details about how the fund will work. We made a number of significant recommendations, including that the fund must be need based; that it must be at least equal to what is already in existence; that it must have multi-year funding; and that it must be done in a partnership arrangement. Time is running out. The report also asked that you report back to us on its recommendations by the end of November. Can you give us specific details about the future of that funding, please?

Simon Hart: When we last had this conversation—it was either at Wales Questions or in the Committee; I can't quite remember which—I remember making it very clear that, of course, everybody has been frustrated by the delaying effect of Covid on our ability to progress this quite as far or as fast as we would like, but that does not alter the commitment that we originally made in our manifesto that there would be not a penny less than the existing EU funding flowing into Wales after the transition period. That still stands and, as far as I am concerned, even though we might not have had a series of productive meetings about the progress that we have made, that does not mean that this thing is off course or that it is not going to be able to deliver the significant sums of money that we have discussed quite often.

I am also conscious, and I know you will be, too, that a lot of this is tied up in what the Chancellor will announce in the CSR in a few weeks' time. I have meetings planned, or will have very shortly, with Welsh Government and, by the way, with other potential stakeholders. It is really important that SPF is not owned by Welsh Government, UK Government or the EU. This is money for, as you rightly point out, the most important areas in need in Wales. Therefore, there is probably a wider circle of people who need to be involved in the prioritisation and the collaboration around this, not just—to put it in its crudest sense—a bunch of politicians in Westminster or Cardiff.

I am very keen that we engage as many people as we can to advise and help and to bid in and around the area of SPF across Wales. As I say, this is not a power struggle between Cardiff and London. This is about making sure that substantial sums of money reach areas and people who need it the most in Wales, in a properly prioritised way that focuses on jobs and livelihoods and everything that flows from that. That is a really important fundamental.

The manifesto agreement still stands. Meetings to try to get this a little bit further down the line are in play. I imagine that the Chancellor will be making some very clear references to this in the CSR at the end of November, following which, if the Chairman and the Committee are so minded, we will be in a very much better position to put some icing on the cake, and to have a conversation with the Committee that is possibly more explicit than it can be now.

Q173 **Beth Winter:** Can I pick up a couple of those points? On the specifics of our report—and we interviewed a wide range of agencies and



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organisations as part of that process—are those recommendations being taken into consideration by UK Government? Can you agree, please, as we have asked in the report, to come back to this Committee and respond directly to our recommendations and the report's findings towards the end of this month?

Simon Hart: Yes and yes. My only caveat on the second question is that it makes sense to have the CSR first. That is scheduled for the very end of November, so it may be that we stray into the first week of December.

I think it is important to add that the SPF, as far as the current plan is concerned, is a tapering arrangement over a number of years. The sum of money—I keep coming back to this point—flowing into Wales will remain, at a minimum, where it is now. The organisations that are dependent on SPF are not going to be cut off on 1 January. There are plenty of schemes and bids in place that will endure. It is not a hard cliff-edge moment at the end of this year following which everything is up for grabs again and people do not know whether their schemes can continue. That is not the case, and it would not be wise to suggest it. I would hate it to be reported that such a wide range of often very positive schemes being undertaken under EU structural funding in Wales will all come to an identical halt at the beginning of next year. That is not the case.

This is a small “t” transitional moment for one means of administering EU structural funding to the new SPF. On my first day in this job, I described it as a nice problem to have, and I stand by that. We are talking about, at a minimum, similar levels of funding coming into Wales to all those with the greatest need. It is beholden on us and Welsh Government to make sure that we do not spend too much time arguing about the political niceties that govern the devolution settlement, but we make sure we get that money to the right people at the right time.

Q174 **Rob Roberts:** Good morning, gentlemen. We have heard an awful lot about things that are happening with the EU, but, Minister Hands, it is your time to shine, Sir. We are moving away from the EU into a different area. My first question for you is: when, in your opinion, will the UK Government formally decide to seek accession to the wonderful CPTPP? Is that on the cards and is it coming shortly?

Greg Hands: Thank you, Mr Roberts. We will be applying as early as possible in 2021. It is a fantastic opportunity for the UK. I do not think the EU will be able to apply. It is something that the UK can do. It is a very exciting opportunity. There are 11 countries in CPTPP—quite a good variety of countries, with highly developed, very friendly economies like Canada, Japan, Australia and New Zealand, as well as developing markets like Vietnam, Peru and Mexico. It is a good thing for us to be doing. Liz Truss and I are really keen for us to be getting on with that as quickly as we can.

Q175 **Rob Roberts:** Fabulous; I appreciate that answer. On a wider issue, I have two questions that roll into each other. I am interested in what



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progress has been made on trade deals with non-EU countries generally, away from the CPTPP. Specifically, how many rollover agreements have been negotiated with countries with FTAs ahead of the end of the transition?

Greg Hands: Let me take the second one first. There are around 40. It slightly depends on the definition of an agreement, which is why I used the phrase “around 40”. We have rolled over 23 or 24. In the last couple of weeks, we have rolled over the Ukraine agreement and the Côte d’Ivoire agreement. This week, we have rolled over the Kenya agreement. They are coming through at a pretty fast pace. We are hopeful of getting as many as possible of the 40 signed and delivered for January, not forgetting that some of the most important were delivered last year, like the South Korea and Swiss agreements. We are working on very important ones like the Canada and Norway-Iceland agreements extensively at the moment. That is a big part of the Department’s work.

As to where we are on other non-EU trade partners, the Department is working absolutely flat out. I don’t think any country has ever tried to do this. We are effectively doing five major trade negotiations simultaneously, with the European Union—which is not done by our Department—the US, Japan, Australia and New Zealand. We are delighted with the Japan agreement that Liz Truss signed a couple of weeks ago. It goes further than the EU deal in many significant areas and shows not just the detail of the agreement, but the overall principle that the UK can and will be able to do these free trade agreements. This is our first free trade agreement in more than 40 years, and it is a great message for global Britain as we go forward with one of our closest friends and allies.

As to the other agreements, I mentioned the US earlier. We have done five rounds and there is a sixth round coming up. That is in an advanced state. We have done two rounds each of the Australia and New Zealand talks, and they are also progressing well.

Q176 **Rob Roberts:** You mentioned that 23 or 24 out of 40 have rolled over already. Are there any that you suspect may not, or do you expect them all to come on? Finally—surprisingly, just over an hour in—we have not heard the words “Welsh lamb” very often. Which of the trade agreements that are being advertised do you think will be specifically beneficial to Wales, and particularly our major sectors like agriculture?

Greg Hands: On the first one, it obviously needs two to tango on some of these agreements. I cannot guarantee that all 40 will get over the line. I am pretty confident that the biggest ones will. I think Canada is in a good position. That is still ongoing, but I think we are in a good position on Canada. Norway and Iceland are also very like-minded countries. It is very strongly in all those countries’ interests to get that agreement across the line.



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Some of these agreements are with quite small places, and sometimes small countries and small jurisdictions can move more slowly. In one or two the government are not particularly functioning at the moment. I am going to put my diplomatic hat on and not name countries in that regard. I am not in a position to guarantee that all of those agreements will get across the line by 31 December, but the Department has put a huge amount of work into that programme over some time now. I am very satisfied with where we are overall.

The opportunities for Wales are fantastic. These are new agreements. We are able to do things that we have not been able to do before and focus on those opportunities. For example, Welsh lamb—all UK lamb—is currently banned from the United States. Trying to get access for Welsh lamb is part of our active negotiation with the United States. We have recently secured access for British beef to the US market. The first exports of British beef to the US came out of Northern Ireland over the summer. That is a great opportunity for US consumers to be able to access British beef.

Altogether, I have lived 13 years of my life in the United States. Lamb is a growing popular meat in the US. It is seen as a healthy meat, and it is very popular on the east coast and the west coast. I don't want to stray into US domestic food consumption matters, but it is a very popular meat. It is seen as a healthy meat and a very good thing. At the moment in the market there is not much indigenous US lamb production; there is a little bit. Most of their imports come from Australia and New Zealand. It is an amazing opportunity to be able to sell Welsh lamb into the United States if we can just remove the rule that currently prevents UK lamb exports going into the US. It is a great opportunity to be able to access those consumers. There is also a big potential for halal lamb in the US, which is a great area of specialisation that the UK has. Being able to export halal lamb into the US is a terrific opportunity for parts of our agricultural sector.

Simon Hart: I think it is fair to say, by the way, that the Japan FTA protects the Welsh lamb brand for the first time under the geographical indicators heading. Some progress has been made in that regard as well.

Greg Hands: You are absolutely right, Secretary of State. Sorry; it was negligent of me not to mention the potential of the UK-Japan deal. The EU-Japan deal has seven UK protected geographical indicators. We have the potential for more than 70 geographical indicators through the UK-Japan deal. They have to get approval within the Japanese system, but the way the UK deal is set up is that the process for the approval of these products becomes much more automatic.

Looking at my list here, potential GIs include Welsh beef, Welsh lamb, Welsh wine, Caerphilly cheese, Anglesey sea salt, West Wales coracle caught sewin, Carmarthen ham and other great Welsh produce. They will have their geographical indicator recognised, which I think will help with



their sales into Japan, again with a very discerning set of consumers who are very focused on quality. Having a protected geographical indicator is also a sign of real quality, and that is a good potential for Welsh produce to go into Japan.

Rob Roberts: Excellent, thank you.

Q177 **Robin Millar:** Thank you, gentlemen, for coming along. I must confess my question was about the benefits that the Japan FTA will bring to the Welsh economy. I will note in my preamble to that that although the first UK trade deal with Japan was done in October, the first deal with Japan was actually done in September 2019 when an agreement was signed between Himeji and Conwy regarding tourism. I jest, significant though it was—two UNESCO world heritage sites coming together for the first time.

Jesting aside, we have seen a massive increase in tourism from Japan as a result. We now have 4,000 tourists a year coming in—a tenfold increase—because of an agreement, so the power and the real local impact of agreements is absolutely clear to me. Conwy mussels, for example, are now one of the products with a geographical indicator. Is there anything else you would like to add on the wider benefits of a UK-Japan deal to Wales?

Greg Hands: Thank you, Mr Millar. I was not aware of the agreement with Himeji, but I guess it was all based on castles.

Robin Millar: It is.

Greg Hands: I recommend visiting Himeji-jo, the UNESCO world heritage site in Himeji, as I am supposing that you may have done as well. Don't make the mistake I did, which is to take your children to visit in August, because it is absolutely sweltering in that queue outside.

The Japan deal is a great opportunity. I have mentioned geographical indicators already, and it also goes significantly further for tech industries and fintech companies. Some of the data and digital rules within that agreement remove a lot of the bureaucratic rules around data localisation that are favoured by Brussels but have never worked particularly well for the UK tech sector. There are great opportunities for fintech companies in Wales that are looking to do more business in Japan, the world's third largest economy and a huge user of financial services. I have already mentioned the big opportunities in agriculture. We also make business travel easier between the two countries. Any Welsh businessmen and women looking to travel to Japan and vice versa will find that easier. I am aware of big Japanese investments into Wales, and it will also make their passage easier. All round, it is a very good deal for the United Kingdom and a very good deal for Wales.

Robin Millar: I know my colleague Virginia Crosbie also has a question for you about Japan.

Q178 **Virginia Crosbie:** Minister, yesterday the Secretary of State, Liz Truss, gave a very powerful speech in which she said that the deal with Japan



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was a watershed moment for our negotiations. What does this really mean to our businesses in Wales? I know you have given a few details, but, critically, how will the UK Government help our Welsh businesses to capitalise on these changes relating to Japan?

Greg Hands: Let me take the question more generally about what sort of support and assistance we are providing for Welsh businesses. People often underestimate the power of the UK diplomatic network. I think we have the second or third largest diplomatic network overall throughout the world, but people do not always know about our commercial diplomatic network that fits under the Department for International Trade. Business does not always focus on capital cities, as you will know. Washington DC and Canberra are not really the business capitals of the US and Australia, for example.

We have offices throughout the United States, in Denver, Minneapolis, Seattle, Raleigh-Durham and Dallas. We have the ability to put Welsh businesses directly in touch with buyers, joint venture counterparts and so on throughout the regions of big markets like the United States. In Europe, we have significant presence in Düsseldorf and Munich, again not necessarily just in the capital cities. I would strongly recommend our commercial diplomatic network, all under our nine Her Majesty's trade commissioners based in key regional centres like New York, São Paulo, Singapore and so on. Do put your businesses in touch with our network.

We also provide a lot of support in the UK with international trade advisers. I will have to get back to you on exactly how that operates in Wales, but you will know that the Government provide support for Welsh exporters as well. We are there to help and make sure that Welsh businesses are able to access the UK's amazing network around the world.

Virginia Crosbie: It would be very helpful if the Committee could have that additional information. Thank you.

Q179 **Robin Millar:** You have touched on the US already. I am very interested in knowing a little bit more about the US negotiations. I was fortunate to be in a conversation recently with a former US ambassador to the EU. He is very involved in the election so I will avoid naming names. He spoke of an "urgency" within their team to do deals with "old friends". The transatlantic relationship we have had is one of the strongest and most helpful to us. A lot is said about geopolitical influence and how that can get involved in trade, and how trade impacts on that, especially with regard to the US. I think people have a lot of concern that we are just a minnow compared to the US. First, could you update us on where we are with the negotiations and, secondly, could you elaborate on positions of strength that we hold? I think perhaps there are things that we may not fully appreciate about our actual bargaining strength in any trade negotiation with the US.



Greg Hands: It is a very good question. People often say, “Hold on a moment, the US is such a massive economy and such a massive power. The UK is all on its own. Is there a mismatch?” The answer is no. We are the world’s fifth largest economy, or the sixth largest economy depending on where the exchange rate is this morning between sterling and the euro and whether the UK or France has that particular position at the moment.

The importance of this for the United States under whichever Administration it turns out to be, is enormous. Overnight, with a US-UK free trade agreement, we would be the largest economy with which the US has a comprehensive free trade agreement. That is a big moment for the United States as well. The US has negotiated free trade agreements with the likes of South Korea, and last year they finished the USMCA, their updated agreement with Canada and Mexico. The UK will become the largest economy with which the US does not have a comprehensive free trade agreement, so we should not underestimate the importance to them as well.

We have been very keen over this year—it is, obviously, never our job to guess or in any way get involved one of our friendly allies’ democratic processes, but one should not underestimate the degree to which we have kept support across the political spectrum in the United States for doing this deal. This year I have spent quite a bit of time briefing particular groups in the United States on our negotiations, from both parties, governors and senators, members of Congress. I have met with two of Barack Obama’s former US trade representatives this year, for example. I am making sure that we are keeping broad support across the US political system for doing a deal. We will obviously have to see how the counts develop during the course of—well, I had better not put a timeframe on it, but as we go forward, shall we say. It has been a priority of ours right the way through to make sure that there is support from both parties at a state level, a Senate level and a Congress level.

Q180 **Robin Millar:** You started by mentioning the size of the UK’s economy. The Union that we have, our impact around the world, the use of the English language, our connections and so on have all been driven by our economic strength. There have been voices and concerns expressed about the United Kingdom Internal Market Bill, and how that might jeopardise a US deal. On balance, would you say that the strength of the Union that is preserved and enhanced by the UKIM Bill outweighs any concerns about the impact it might have on a deal with a nation like the US?

Greg Hands: That is a very good question. I think the answer is that the UK has great strengths in negotiating as one. That is what we have seen: that we can operate on behalf of all nations and regions of the United Kingdom when we do a trade agreement. We have already talked about the UK-Japan deal and the benefits that that brings: all of those Welsh geographical indicators, for example, and the benefits that it will bring to



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Welsh financial services firms, tech firms and so on. On the US agreement, the scoping analysis, for example, showed that of all parts of the UK, Scotland had the potential to benefit the most from a US trade deal. There is a lot in it for all parts of the United Kingdom.

As mentioned earlier, UKIM is very important from an international trade perspective. Our trade counterparts need to know that when they are negotiating with the UK and getting access for their goods and services, those goods and services will be able to access all four nations of the United Kingdom. That is also extremely important.

I am sure you can understand the reverse. With the US negotiation, say, we put in a lot of time and effort to make sure that we will get access at a state and local level in the United States to things like procurement for UK firms. Government procurement in the US is obviously not solely a federal government effort, and being able to make sure that we get access to procurement markets in the United States for UK services exporters—Welsh services exporters—is extremely important. You can see at the negotiating table that an internal market within one's own country, one's own customs area and one's own single market is extremely important for those negotiations.

Q181 Robin Millar: Thank you, Minister. Does the Secretary of State have a quick follow-on comment on that?

Simon Hart: Yes, a very brief add-on. One of the things that gets overlooked in these discussions is the benefit to those institutions that are already trading with the countries in question. In the Japan context, there are over 200 businesses in Wales that are already doing business in Japan and whose potential is now enhanced as a result of the Japan FTA. That clearly will have a potential knock-on benefit to the Welsh economy.

On the relationship with the US, the area that I don't know much about but I think is probably of disproportionate value is shared intelligence, as well as some of the global challenges that we face as our two nations. Shared intelligence is a really important area of this, for which it is quite difficult to quantify a value.

As a light-hearted aside on the trading arrangement with the US, don't forget that the biggest provider of rattlesnake serum in the world is based, I think, in Ben Lake's constituency, in Lampeter. We export rattlesnake serum to the States, and hopefully an FTA will enable us to do that with even more vigour—even more bite—than we had before.

Q182 Geraint Davies: Thank you, Minister and Secretary of State. I want to ask how Welsh interests are being represented, first, by David Frost in the EU negotiations—how well he has been briefed and is representing us—and, secondly, in the Trade and Agriculture Commission in protecting standards that we are very concerned about.

Greg Hands: If we split that, I can talk about the Trade and Agriculture Commission, which is a fantastic new body set up by Liz Truss in July. We



have also announced that we will be putting it on a statutory footing in the Trade Bill.

I know that you take a strong interest in the Trade Bill, Mr Davies; I think you were on the Trade Bill Committee, if I recall correctly, last time around. We are looking forward to getting cross-party support for the Trade Bill. I will put my cards on the table. It has surprised me rather with the Trade Bill that Labour and Plaid Cymru have not backed it. I mentioned earlier the importance of those data-sharing powers to make sure that we can manage international trade better. The continuity agreements that we were talking about earlier are also, as you know, a key part of the Trade Bill, making sure we have the continuity of EU trade agreements, Government procurement and access for Welsh businesses to Government procurement markets. I do not want to be party political about it, but I just make a general appeal for all Welsh Members to back the Trade Bill. It is a very good thing for the UK overall, and definitely a good thing for Wales.

The Trade and Agriculture Commission has both Welsh NFUs on it, and they are strong voices for Welsh agriculture. I have met with both of those bodies separately in recent months. I think we are in a good position to make sure that Welsh voices are heard and that our trade works for Welsh agriculture. I talked earlier about some of the opportunities for Welsh agriculture.

You will know, Mr Davies, that you get all kinds of scare stories about trade and you can easily start thinking, "Trade—is it for us?" It is the job of all of us to get out there on the front foot and put across the huge opportunities that there are for Welsh businesses and Welsh agriculture in our trade negotiations. The Trade and Agriculture Commission is looking forward to hearing those.

Q183 Geraint Davies: I am not on the trade Committee, but I am the trade rapporteur for the Council of Europe, so I do take a keen interest in trade and trade agreements.

You mentioned that the Trade and Agriculture Commission has been put on a statutory footing, but my understanding is that its power is limited to issuing embarrassing reports about standards, which might be after the agreements have been signed or after the CRaG deadline for Parliament to delay. They are nothing compared to having statutory guarantees of standards on the face of the Agriculture Bill. In the light of that, will you be putting specific statutory guarantees of standards on the face of the Trade Bill?

Greg Hands: Our commitment to standards is absolute. I mentioned earlier, in the very first question, that our commitment to no compromise on our high standards of animal welfare, environment and food safety is absolute.



What we have rejected have been a number of the amendments that have been put forward that would effectively seek to dictate our trading partners' domestic practices. You may think that sounds like a desirable thing to do, but the practical impact of a lot of those amendments, Mr Davies, would be to kill off a lot of our trade with the developing world. Would you be able to say, hand on heart, that those beans that came out of Kenya that you have just bought in Asda, or that cocoa from the Ivory Coast, or those strawberries from Egypt, have been produced with at least as good labour and environmental standards—or animal welfare standards, in the case of, say, Thai chickens—as we have in the UK? I warn you against some of those amendments that have been floating around that would kill off large parts of our trade with the developing world that you and I know to be extremely important.

The Trade and Agriculture Commission's remit is very clear. It will be to look at each free trade agreement and comment on the impact that it could have on the agriculture sector and questions of animal welfare. That is an additional protection that is in there to enable the Trade and Agriculture Commission to do its work.

I might add that it is not just the Trade and Agriculture Commission. We also have trade advisory groups that are feeding into this, which we consult during negotiations. If something has been proposed by our negotiating partners, "What about this, that or the other?" we have the agri-food trade advisory group that we can bounce it off during the negotiation. We have sector expertise in the course of the negotiation. The final deal will also have comments provided by the Trade and Agriculture Commission before Parliament scrutinises the deal and takes it forward. I am very confident of our robust scrutiny arrangements.

Q184 Geraint Davies: So that we are clear about this, you are not willing to put specific food standards on the face of the Trade Bill. Are you willing to guarantee that the Trade and Agriculture Commission can publish a report before you sign an agreement or before Parliament tries to delay? To be fair to you, we are rushing into a very fast stream where we need to have agreements quickly. Obviously, we would all like to see agreements quickly, but they have to be the right agreements. How can we guarantee the standards we need in these agreements if the commission itself may not have the time and it does not have the power to enforce specific standards?

Greg Hands: I have always been convinced that if Parliament doesn't like a trade agreement, Parliament will find a way to oppose that trade agreement and the trade agreement will not go through. That is pretty clear to me. We have to take Parliament with us on trade agreements.

Secondly, don't just look at what I am saying; look at what we are doing. We talked earlier about the trade agreement continuity—the existing trade agreements the UK has—with the 23 rolled-over trade agreements. Look at the text of those, and you will find that there is no diminution or reduction of our standards whatsoever from the standards in the current



trade agreements. The design of the Trade and Agriculture Commission is there to make sure that we get the right people on board to be able to give an expert view on those trade agreements in time for Parliament to be informed of their content, particularly from an agriculture and animal welfare perspective.

Q185 **Geraint Davies:** From the Welsh point of view, we want to keep our environmental, food and labour standards and to protect ourselves in the event of a trade deal we are not very happy about. Would you accept that in the Internal Market Bill, despite what is said, there is no clause that gives the Welsh Government any extra powers—or if there is, what is it? There isn't one.

Greg Hands: Extra powers in relation to what?

Geraint Davies: For standards. For example, if you were to choose to import hormone-impregnated beef over time—in the first instance with tariffs, as Liz Truss has said—and the Welsh people did not want it and wanted it labelled, my understanding of the Internal Market Bill is that the Welsh Government are not entitled even to label it to warn people if they do not want to eat hormone-impregnated beef.

Greg Hands: Mr Davies, to be absolutely clear, in case anybody watching this is becoming alarmed in any way about hormone-impregnated beef, that product is illegal in the UK at the moment. It will remain illegal on 1 January due to the rolled-over food safety and animal welfare standards we are taking on from the European Union. Your question is hypothetical about something that is not going to happen, because what is illegal today will remain illegal after 1 January.

Q186 **Geraint Davies:** What I am getting at is this: if standards in a trade negotiation were not agreeable to the Welsh Government, they would just have to lump it, wouldn't they, as would the Welsh consumers?

Greg Hands: The idea would be, going back to the ministerial forum for trade and the good relationships—I have already stressed the importance of a really good working relationship with the Welsh Government—to make sure that the Welsh Government are consulting. Importantly, there isn't going to be any compromise on our standards for food safety, environment and animal welfare. I think the people of Wales like to see the UK Government and the Welsh Government working together, and this is one area, on trade, where we work together very well.

Q187 **Geraint Davies:** Secretary of State, can you name a clause in the Internal Market Bill that gives more power to the Welsh Government?

Simon Hart: I have nothing to add to what the Minister has said. I know the trap that you are setting us, but—

Q188 **Geraint Davies:** Can I ask whether you are in contact with David Frost and giving the priorities of the Welsh Government and Wales to him in his negotiation with the EU, so we are not forgotten?



Simon Hart: Yes; I do want to deal with that. Don't forget that the Board of Trade has been resurrected under Liz Truss's leadership, and that includes the territorial Secretaries of State. It is another lever or vehicle via which Wales and the other devolved nations can exercise their influence in a global trading context. That has been recreated thanks to UKG.

On the substance of your question, I want to take you back to something that the SNP's Mike Russell said. I think it was at the end of last year at a joint ministerial meeting in Cardiff, when we were able to travel around doing those kinds of things. In the context of EU negotiations, he floated the concept of what he called the three-room model. I won't go through the detail of that, other than to say that even he fully recognised that the final aspect of negotiation, the third of the three rooms, required a UK Government lead to be able to secure the arrangements; and that the relationship between UK Government and Welsh Government—the Scottish Government, in his case—was undertaken in rooms 1 and 2 before the final third part of that process was entered into.

I also wanted to add that through Taskforce Europe—whether it is the Wales Office, Welsh Government or undertaken at ministerial or official level—frequent and regular contributions are being made to the taskforce by us and others about what is in the best interests of Wales. Indeed, if there are areas where perhaps there might be something that is uniquely risky to one of the nations in question, we make sure that David Frost is made aware of that.

Q189 **Virginia Crosbie:** Gentlemen, the consultation on freeports has closed and the consultation response has been published. I have three quick questions. First, could you update us on the bidding process? I understand that it will open before the end of the year. Secondly, could you confirm that Wales will definitely have one of the freeports? Thirdly, could you perhaps clarify why it is limited to 10?

Simon Hart: I do not want to sound like a broken record but there will be, I hope, reference to the process in the spending review when the Chancellor announces it at the end of November. We will need to wait until then to see exactly what the timescale and process are, but I don't see any reason to think that this thing will not be imminent in whatever form it comes forward.

As far as Wales is concerned, the manifesto commitment was to 10 freeports, without actually quoting it, and one in Wales. Again, there is no reason to believe that anything has changed as far as that is concerned. In answer to your question about why 10, I have absolutely no idea at all. I literally have no idea.

Q190 **Chair:** Minister Hands, can I ask you a question about the reconstituted Board of Trade, which you referred to a few moments ago? How does the reconstituted Board of Trade reflect the needs and interests of the whole United Kingdom? Has there been any particular attention paid to how the



composition reflects the whole of the UK that you can give us an insight into?

Greg Hands: I do not have the membership here in front of me, but referring to what the Secretary of State said earlier, the territorial departments are on the Board of Trade. That is viewed as being very important by successive International Trade Secretaries, first Liam Fox and now Liz Truss. Unfortunately, I had to miss the inaugural refreshed Board of Trade meeting last week because I was on a separate visit to Germany, but there has always been a good spread of businesses and representatives across all four nations on the Board of Trade. We are committed to the Board of Trade meeting in the four nations of the United Kingdom as well. Broadly speaking, the Board of Trade is intended to be very representative of the whole of the United Kingdom.

Q191 **Chair:** Fantastic, thank you. Secretary of State, before we wrap up, are there any concluding remarks that you would like to make? When can we look forward to seeing you again, Secretary of State?

Simon Hart: On the Board of Trade question, I was just glancing at the UK Government website. There are 16 members, of which three—and I am pleased to say the first three—are the territorial Secretaries of State for the devolved nations. Well, we are advisers; we are not really members. I would like to call myself a member. I hope we have a relevant and significant presence on that.

As you know, I don't think I have ever turned down an invitation to appear before this Committee. I think a very good time, if the Committee is minded, to come and revisit some of these issues would be relatively soon after the CSR at the end of November. Some quite key questions have been raised today that are frustrating in that we cannot try to second-guess what the Chancellor may have in store for all of us.

Going right back to the beginning of this meeting, we will be in a much clearer position—as we always say and we always hope—to have an even better informed look at where we are in the fight against Covid, and what the economic and social consequences of that might be by what will then be the end of this current period of additional restriction. I think that would be a really good moment to take stock of a number of things. We will, of course, know whether we have shaken hands with our European partners on an EU deal at that stage as well.

There will be plenty of things to talk about. It might, therefore, be very foolish of me to offer to come along and subject myself to your cross-examination again. David T.C. Davies can do it, if it has all gone wrong.

Chair: We quite enjoy having both Ministers in front of us, so don't retract your offer. We very much look forward to that occasion, and I think we agree with you on the timing. That makes a lot of sense. There are a lot of issues bubbling around at the moment relevant to how UK Government interacts with Welsh Government, not least on things like



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the Shared Prosperity Fund, freeports and a whole lot more that we have only touched on today because we have, of course, been focusing mainly on trade.

Secretary of State, and Minister Greg Hands from the Department for International Trade, thank you so much for your time. Thank you to my colleagues for making this a really good, interesting and useful session. Have a great day.