

# International Trade Committee

## Oral evidence: [The work of the Department for International Trade](#), HC 16

Wednesday 30 November 2022

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Members present: Angus Brendan MacNeil (Chair); Mark Garnier; Paul Girvan; Mark Menzies; Lloyd Russell-Moyle; Martin Vickers; Mick Whitley.

Questions 314-461

### Witnesses

I: Rt Hon Kemi Badenoch, Secretary of State, and Crawford Falconer, Interim Permanent Secretary, Department for International Trade.



## Examination of witnesses

Witnesses: Kemi Badenoch and Crawford Falconer.

Q314 **Chair:** Welcome to this afternoon's meeting of the International Trade Committee. Today we have the Secretary of State, Kemi Badenoch, and the interim permanent secretary of the DIT, Crawford Falconer. The meeting is ostensibly about the work of the Department for International Trade. Some of our questions have been informed from Twitter under #AskKemi. The main themes that have come through have been trade shows, support for exporters, and the Energy Charter Treaty. Some other contributions will be used later to inform some of the stuff that we might be doing going forward.

Secretary of State, I understand that you want to make a short statement. After your statement has finished, we will start the clock for our two-hour session, so the floor is yours for however long you want it, and then for two hours the floor is ours.

**Kemi Badenoch:** The statement will not be two hours, you will be pleased to hear. Thank you very much for the opportunity to set out my stall. This is not just my first time at DIT; it is my first time as a Secretary of State. I am particularly grateful to the Committee for swapping the times around, because of course I am also the Minister for Women and Equalities and we had orals this morning. I am very grateful for that flexibility.

I know that the Committee has a history of being a critical friend to the Department, and we are very grateful for that. I am somebody who believes that scrutiny improves legislation and policy. As much as is possible, given the travel schedule that I and other Ministers have, we will always want to talk to the Committee, either formally or informally.

I will start by saying that my imminent key priorities include concluding accession to CPTPP. FTA negotiations with India are ongoing. We are still working towards a free trade agreement with India, but more broadly my approach is going to be different from that of previous Secretaries of State, in that I would like us to move away from the DIT being seen as the Department for free trade agreements and back to the Department for International Trade.

Q315 **Chair:** Thank you very much, Secretary of State. It is 1.32 pm, so we will finish at 3.32 pm. It was important for your Women and Equalities role to give you that time this morning, so the Committee was glad to do that. You have just taken the reins at the new Department. You may have hinted at some things there, but could you tell us two things that are going well at the DIT and two things that you would like to see change?

**Kemi Badenoch:** Why don't I start with what I would like to see change, which picks up on what I said in my opening statement? One of the things that I have found going into the DIT is that everybody is focused on free trade agreements. If you have heard any of the speeches that I have



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given, I emphasise that free trade agreements are like the motorway, but trade is the exports and investment. Leaving the EU meant that for the first time we had an independent trade policy, so of course getting the roll-over continuity agreements and new FTAs demonstrating that independent trade policy was critical, but at this point, using them and making sure that they are working and are more efficient, and so on, is going to be my approach. That is certainly something that I would like to see change.

I would also like to have a new perm secretary as soon as possible. That is something that has made running the Department a little more challenging. I am very grateful to our interim perm sec, Crawford Falconer, who I think the Committee knows very well, who has been stepping in. Having a dedicated permanent secretary will be critical to make sure that the Department's voice is heard across Whitehall.

In terms of things that are going well, the reduction of market access barriers is something that is going well. You will know about the steel tariffs that we had lowered with the US—the section 232. We had barriers lifted for the first time in such a long time for Welsh lamb into the US, for example. Those are things that the Department is doing very well. When I was in Edinburgh, I talked about announcements for countries such as Morocco, Algeria and so on, where we are slowly removing loads of tariffs and non-tariff barriers and improving market access. That is something that is going very well.

**Q316 Chair:** Thank you. I wonder whether you paid much attention to the recent speech by the former DEFRA Secretary of State, George Eustice, on trade negotiations. Did he have a point in what he said in the Commons? It was during a general debate that threw two trade negotiations together in what seemed a tick-box exercise by the Government, but anyway, on the thrust of George Osborne's point—

**Kemi Badenoch:** George Eustice.

**Chair:** Indeed.

**Kemi Badenoch:** I don't know anything that George Osborne has said.

**Chair:** He probably agrees. But let's be frank: George Eustice was scathing about what was going on and what has been happening, such as setting up timetables to basically undermine. Do you have any thoughts?

**Kemi Badenoch:** Yes, many. First of all, I would like to put on the record that I disagree with George's view.

**Q317 Chair:** Which parts?

**Kemi Badenoch:** Almost all of it. There is one small bit that I did agree with, which I will come to, but I disagreed with what he said about it not being a good deal for the country—that is absolutely not true. I also strongly disagree with what he said about Crawford. I do not know how the Department would have coped without Crawford during this period. I



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have known him now for two months, and many others have known him for much longer. He is an invaluable asset to the Department, and I think everything that George said about Crawford was wrong. I would like to put that on the record.

Q318 **Chair:** That sounds like you might be tempted to make Crawford Falconer the permanent secretary.

**Kemi Badenoch:** Would you like to be permanent secretary, Crawford?

**Crawford Falconer:** I have been delighted to do it on an interim basis, and I will be even more delighted when somebody is appointed full time.

**Kemi Badenoch:** There's your answer.

Q319 **Chair:** Whether it is a he or she, we will have a new permanent secretary at some point going forward. George Eustice said that the TRQs in beef and sheep were very liberal, and that Australia and New Zealand would have settled for much less, but the UK, being so keen to have a trade deal, basically set a timetable. The Trade Secretary asked her opposite number "what he would need in order to conclude an agreement by the time of the G7", and the Australian trade negotiator wisely asked for the kitchen sink, which "eventually shaped the deal", said Mr Eustice. That is damning.

**Kemi Badenoch:** It is, but I think it is incorrect. When I asked the—

Q320 **Chair:** Sorry, did the previous Trade Secretary not ask her opposite number "what he would need in order to conclude an agreement by the time of the G7"?

**Kemi Badenoch:** The Trade Secretary did not ask her—

Q321 **Chair:** Did the then Trade Secretary ask or not ask "her Australian opposite number what he would need in order to be able to conclude an agreement by the time of the G7"?

**Kemi Badenoch:** I am not aware of any such question being asked.

Q322 **Chair:** Could you find out?

**Kemi Badenoch:** I could, but as far as—

**Chair:** That seems crucial.

**Kemi Badenoch:** As far as I know, that sounds like a standard negotiating question, where we ask, "What is it that you want?", and the other team ask us the same thing. But in terms of, "Tell us what you want and we'll give you everything," I think that question is ambiguous in how it is framed.

Q323 **Chair:** With respect, it is a slightly different thing, because it puts a time schedule on this. When you have put a time schedule on it, you change the dynamics of the negotiation, because if the other side see that your ask is not a trade ask but a timing ask, they then trade your timing for their trade ask, which is effectively what Mr Eustice said had happened.



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Then they are in the driving seat, because you are anxious to get the agreement in “by the time of the G7”.

**Kemi Badenoch:** You asked if there was anything in George’s comments that I agreed with. I do think deadlines can be incredibly unhelpful in negotiations—we saw this with Brexit—but if the other side know that you have a deadline, they are able to hold out or be more difficult, which creates an incentive to create more concessions. As far as I am aware, there was no conversation like that that took place beyond the general rounds of what you ask in a negotiation, and I suspect that if that had been the case, George would have been in the room. If he wasn’t, I think this is probably speculation. He has not told me that, and I think that that is more speculation than anything else.

Q324 **Chair:** I am just taking it from his speech in the Commons, which you may or may not have seen. He also said that the “full liberalisation” on beef and lamb access did not need to be given. It was such a generous offer—it was so big that “neither Australia nor New Zealand had anything to offer in return for such a grand concession”. He goes on to say that “Australia remains one of the few countries left in the world that maintains an absolute ban for British beef,” using the spurious “sham” of BSE. They must have thought Christmas was coming when they saw the UK negotiators.

**Kemi Badenoch:** Well, I think it also shows a fundamental misunderstanding of the UK and the Australia and New Zealand economies. The fact is that we are 70% services-based. There is no outright ban on British beef. What they have done is set standards, which are uneconomic at the moment for our farmers to comply with.

I think you would be very shocked if, all of a sudden, we decided to lower our quality and SPS standards because of a trade deal. Australia is doing exactly what we would be doing. We got significant barriers in other sectors, separate from agriculture. Of course a DEFRA Secretary will be looking at this solely within the realms of what DEFRA is concerned about. As Trade Secretary, I have to be looking across the entire economy, and that means looking at what other sectors are asking for, but also remembering that we are doing trade deals not just for producers but primarily for consumers.

Q325 **Chair:** I am just trying to tease out the difference between the ancien régime and the current regime. You are telling me that if you were negotiating the Australia and New Zealand trade agreement, nothing really would change. You would do the same thing. You wouldn’t ask for a TRQ; you would just give it away. Is that what you are telling us?

**Kemi Badenoch:** We haven’t given anything away. A trade agreement—

Q326 **Chair:** Quite obviously, the UK has, in the trade agreements. It is in black and white.

**Kemi Badenoch:** That is not giving things away. People need to stop looking at trade agreements as if it is a zero-sum game. It’s not a tit-for-tat where you pay for something and get something else.



Q327 **Chair:** It's not?

**Kemi Badenoch:** No. A trade agreement is far more complex than that. When you have comprehensive trade agreements, you are looking across multiple sectors. You are looking at a range of issues that actually go very far into the future. For instance, you talked about—

Q328 **Chair:** So you would have done the same thing.

**Kemi Badenoch:** You talked about full liberalisation. That is just wrong. We haven't fully liberalised. It is staged, so there are 15 years.

**Chair:** Yes, and then you are fully liberalised.

**Kemi Badenoch:** In 15 years' time, I think that we will first of all have given farmers time to adjust. If things do look like they are becoming less competitive—remember, this is all speculation; the deal isn't even in place yet and we are already talking it down.

One of the things I have found particularly challenging is having my counterparts abroad listen to Members across the House, not just Opposition Members, talk about their countries in such a disparaging way, as if we are dealing with authoritarian or despotic regimes. Australia is a country that has high standards. We have a very good relationship with them. They are our allies. They are in Five Eyes. We have the AUKUS deal. This is a country that we need to be working more closely with and not talking about as if it is going to ruin our economy. It simply is not the case.

Q329 **Chair:** It is rather grand to say that it would ruin the economy. What is—

**Kemi Badenoch:** Or will ruin the economy for farmers, which is something that has been put to me, and is categorically not true.

Q330 **Chair:** And the food security aspect as well. I think we have established that you would have negotiated the same deal.

**Kemi Badenoch:** Can I come back to you on food security? Food security is something that we need to diversify as much as possible. We do not grow all the food that we need in the UK for ourselves.

**Chair:** Do you want to grow more or less of it?

**Kemi Badenoch:** We need to make sure that we are getting it from as many places as possible and reduce the points of failure. One of the problems that we saw with supply chains during covid was that getting everything from one particular country, even if it is your own, means that when things go wrong, they go very badly wrong.

Q331 **Chair:** I don't want to go much further on this, but if beef production was to go down in the UK, you would be happy enough because we could get it from Australia.

**Kemi Badenoch:** We already get lots of beef from all over the world. I think we should ask consumers what they want. People will always buy



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British beef. If what you are saying is that we don't want to buy anything from other countries, then why would they buy our products?

Q332 **Chair:** So then just have full liberalisation.

**Kemi Badenoch:** We have talked about a staged liberalisation. Again, a free trade agreement cannot be a situation where we want to sell but we don't want to buy anything. That is just not credible.

Q333 **Chair:** So we have established that you would have the same trade deal as in the past.

In the year to June '22, as reported in *The Observer* last Sunday, UK exports to Japan fell. Why is that? We have a UK-Japan trade agreement that, your predecessor Liz Truss said, "goes significantly beyond the EU-Japan deal". In that last year, EU trade with Japan has risen, while UK-Japan trade has fallen. Why?

**Kemi Badenoch:** For two reasons: one, covid; and the second one, unbelievably, is covid.

**Chair:** Covid was a year ago.

**Kemi Badenoch:** Yes, but the trade deal was signed in 2020. First of all, lots of changes took place, as you know, in terms of what businesses were doing—businesses that were exporting stopped doing so—but supply chain issues have also had an impact. It is very easy to say that EU trade with Japan has increased, but the EU is 27 countries. I do not have the figures to hand, but I would not be surprised if there were one or two particular countries that are making the difference there. The figures I have seen show that lots of EU countries have had trade fall as well.

Q334 **Chair:** So it's covid, it's supply-chain issues and, perhaps, one EU country is making up the difference—that is why the EU trade with Japan looks so good?

**Kemi Badenoch:** Also, our free trade agreement was not something that was going to change everything overnight. This independent trade policy is one not just for now but for the future. We will see improvements. What I am not going to say is, "Oh, everything was just because of covid and so it's fine." One of the reasons we have an export strategy, and an Export Support Service, is that we recognise that we cannot just sit on our laurels and be complacent. If there are things that people are finding that make trade difficult, then we are looking to address them, but there is no reason at all for a free trade agreement to reduce trade. That is clearly something that is happening at the same time as the free trade agreement, and not because of it. Correlation is not causation. We should look at what the drivers are, and those are completely separate to the free trade agreement.

Q335 **Chair:** It looks like the UK-Japan trade agreement did not go significantly beyond the EU-Japan deal, when trade has fallen. There is something going on.





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**Kemi Badenoch:** I think that again makes the assumption that the cause is the free trade agreement, and I would dispute that. I don't think it has anything to do with that at all.

Q336 **Chair:** Nothing to do with the free trade agreement—so the free trade agreement has nothing to do with UK-Japan trade at the moment, which is falling.

Mr Falconer, during the UK-Japan negotiations—you were around at the time—did you ever seek full liberalisation in dairy and cheese products?

**Crawford Falconer:** We didn't succeed in it, but of course we would have been happy to have negotiated it. But you have to recall that that negotiation was done on the basis of the existing agreement that we had had with Japan. Therefore, there was no way in which we were going to be in a position—

Q337 **Chair:** So you didn't ask?

**Crawford Falconer:** No, no—of course we always ask, but you have to be able to trade and reach a bigger outcome. We had a very narrow window of about two or three months after we had left the EU for that agreement to get through the Japanese Diet, and we were not in a position to renegotiate parts on our side of the agreement for Japan. What we got an agreement out of Japan to do was to do as much as we possibly could in that short period of time, and that was to create a world-class digital novelty part to the agreement, which didn't exist anywhere else, and to have a continuity agreement with them to agree to allow us to negotiate into CPTPP.

In other words, it was an arrangement with them for a staged further negotiation, which, in the CPTPP context, we are now in the position of trying to fulfil. If it is successful, it will lead to improved agricultural access for Japan. So yes, of course, we absolutely sought that in the negotiation, but we did not get anything that was overly significant out of Japan in those areas, although we did get very specific, country-specific arrangements for the United Kingdom that did not exist before.

**Kemi Badenoch:** Exactly.

Q338 **Chair:** I assume from that you did not seek a larger TRQ for dairy products with Japan either. Why do you think they did not agree to any of those asks?

**Crawford Falconer:** It is quite clear that we did seek additionality for dairy products. As I said, we are currently continuing our negotiation with Japan precisely on that, where we are seeking further additionality on it. The reason we did not achieve it is because they have one of the most protectionist dairy industries in the world. That does not mean to say that we won't still try in our negotiations to secure improvements in access for that.

Q339 **Chair:** Did you ever ask Australia for an enduring TRQ on beef and lamb? Given that the TRQ area went badly with Japan, did you try to employ the





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Japanese tactics when you went to speak to Australia? Was it part of your original mandate?

**Crawford Falconer:** We wouldn't have sought an enduring TRQ for beef with Australia, because Australia already has an open market for beef. The situation with Australia is not a question of a restrictive TRQ; it is because they have what they consider to be a sanitary and phytosanitary regime in place that ensures that, for health and safety reasons, they do not consider that imports from the UK are appropriate. So it is not a market access barrier for negotiation.

It is something that we would be able to contest—DEFRA would be able to contest if they chose to do so—on SPS grounds, but there was no pressure for us to do so. It would not have been a part of the negotiation. You would not, in negotiating terms, seek to pay for something that you would consider you are entitled to have, if you had thought the Australian measure was illegitimate.

Q340 **Chair:** Was an enduring TRQ on beef or lamb part of the original mandate?

**Crawford Falconer:** No.

Q341 **Chair:** You walk in with the intention of full liberalisation after 15 years.

**Crawford Falconer:** Absolutely not. As far as we were concerned—

Q342 **Chair:** Just to clarify, which one was it? Did you have a mandate for an enduring TRQ on beef or lamb, or did you walk in there with the intention of giving it all away in 15 years?

**Crawford Falconer:** I can try to be a bit clearer. If I wasn't clear enough, I will say it again. We would not have gone for an enduring TRQ, because we would have the right to access the market. You are not going to pay for something that you have already got.

Q343 **Chair:** I am asking what was in your original mandate. There was no enduring TRQ in the mandate to start with.

**Crawford Falconer:** You would have the commitment that you would have access to the Australian market, which we do, without tariffs, and that was the mandate.

Q344 **Chair:** But what was the mandate?

**Crawford Falconer:** The mandate was to secure liberalisation of the Australian tariffs across the board to the extent we could in the negotiation, but you would not have had a TRQ because a TRQ is a restriction. It would have been less than full liberalisation.

Q345 **Chair:** I am not asking as an offensive interest, but as a defensive interest. In your mandate, did you ask for an enduring TRQ or not?

**Crawford Falconer:** It would not be appropriate for me to comment on what the Government chose to do at stages in the negotiation on the defensive side, but I can certainly say that in general terms the mandate



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that we had throughout the negotiation was a mandate that was agreed by the Government at all steps of the way by the normal ministerial processes. Like any mandate during the course of a negotiation, Ministers make decisions as to whether they want to modify it, alter it, make it more demanding or make it less demanding.

Q346 **Chair:** To those watching, that is an evasive answer because you have been asked whether you had an enduring mandate for TRQ for beef or lamb originally or not. You said you cannot say. People need to scrutinise and understand what was going on. Do you know if you had a mandate, or are you refusing to divulge that you had a mandate that might have said you needed an enduring TRQ?

**Crawford Falconer:** I am saying that, as an official, it is a matter for Ministers to maintain their decisions about what they are going to reveal in public about a live negotiation.

Q347 **Chair:** Australia is not now a live negotiation. I am asking you about Australia. Did you have a mandate or not? What did the mandate say about a TRQ? Yes or no? Was there an ask for an enduring TRQ, or—

**Kemi Badenoch:** Can I come in on that point?

Q348 **Chair:** Sorry, Secretary of State, I am asking this witness. Was there an ask for an enduring TRQ in the mandate?

**Crawford Falconer:** What I can say to you is that in the course of the negotiations there were periods of time when of course the United Kingdom said, "We wish to have TRQs, and no more than limited TRQs for Australia." It was a negotiation. For considerable periods of time, we were in a position of having TRQs of certain sizes in the lifetime of that negotiation. But like any negotiation, it moves during the lifetime.

**Chair:** Lloyd Russell-Moyle, do you want to come in at this stage? I will come back to these points.

Q349 **Lloyd Russell-Moyle:** Earlier on, you said that you would not negotiate something that you thought was legitimately ours—free access for the Australian market—and you said that if we believed the sanitary protections were illegitimate, we would not negotiate them. Are you saying we believe that the Australians are putting illegitimate thresholds on our imports?

**Crawford Falconer:** I think that's a decision that the scientists would have to make as to whether they consider that that is something they wish to contest or not, or whether, on the basis of their assessment, that is something they would want to pursue with the Australians.

Q350 **Lloyd Russell-Moyle:** But surely you would need to make an assessment before you go into the negotiations about whether it was legitimate or illegitimate.

**Crawford Falconer:** There was no decision taken that it would be pursued at that time.



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**Q351 Lloyd Russell-Moyle:** Is it routine that you do not raise what the Government might believe are illegitimate tariffs or non-tariff barriers on goods when we are in negotiations?

**Kemi Badenoch:** Can I come in on that point? Just going back to tariffs generally, the Australian deal, as I understand it, lifts tariffs on all UK goods, but when it comes to standards it is different. If we are asking a country to lower its standards, we are also creating a precedent for other people to ask us to lower our standards, which is not something that we want to do.

In terms of what Crawford is saying, within a negotiation, let us sort out whether there are tariffs or no tariffs. In terms of standards, that would be aside from a negotiation. There would be ongoing negotiations, which even countries within the EU and so on would be having anyway. A lot of that would be led by DEFRA. We are not SPS experts; DEFRA are, so that would be a matter for them. In terms of what is happening on tariffs, the Australia deal, as I understand it, removes tariffs on all UK goods.

**Q352 Lloyd Russell-Moyle:** The question is whether we consider it legitimate or illegitimate.

**Kemi Badenoch:** If what is legitimate?

**Q353 Lloyd Russell-Moyle:** Restrictions on British imports of beef into Australia. If we believe that that is a legitimate standard—the Australians just have a higher standard than us—that is fine. If we believe that Australia is implementing an illegitimate standard and is effectively using non-tariff barriers to prevent the import of our goods, that is a DEFRA question, but it is also a trade question because it is using non-trade barriers.

**Kemi Badenoch:** Yes, of course, but that is something we do anyway, even within the WTO, when we think things are unfair on safeguards and so on.

**Q354 Lloyd Russell-Moyle:** Exactly, so it is for your Department to raise when you believe that.

**Kemi Badenoch:** But the request would have to come from elsewhere.

**Q355 Lloyd Russell-Moyle:** Has the Department entered into discussions with DEFRA about the legitimacy or not of the Australian non-tariff barriers?

**Kemi Badenoch:** As far as I am aware, DEFRA has not raised this as an issue. As I said previously, we focus overly on agriculture. As far as I am aware, it is not in our top 10 exports. The Australia deal and the Japan deal, which you were referring to earlier, are primarily sector-driven. Financial services, digital and data—that is what this country does. We do not make enough beef for our own country. We need to be able to look at these deals within the context of what we are trying to do overall. It is not tit for tat—Australia is doing this and we are doing that. We are looking at it in the round, and in the round it is a good deal.

**Q356 Lloyd Russell-Moyle:** On the Japan deal, we have seen reduced exports,



and some of that might be down to uncertainty. We did have TRQs put in, but they were contingent on what the EU used up, which meant that no exporter taking orders for the next year would know what Britain's tariff level would be because it would depend on whether French exporters, for example, had exported over or under the tariff. That creates uncertainty in pricing, and in trade uncertainty is often worse than a tariff, which can be scheduled in.

You say that the Australia deal is a good deal, but we heard in evidence to the Bill Committee that the wording of the procurement sections deviates from the wording of the general protection on procurement in the WTO, and in some areas could provide less protection than, say, France, which signed the Government procurement agreement. Again, that uncertainty could lead to trade being diverted on services with Government procurement via other members of the GPA. Do you recognise the criticism that the Australia deal might create more uncertainty? It might be resolved in the courts, but the fact that the wording is different creates uncertainty. Do you recognise that?

**Kemi Badenoch:** No, I don't. First, I don't recognise the uncertainty. I was not the Secretary of State in place when these deals were done. I would not expect everything to be a copy and paste of pre-existing agreements. I also think you can't really go below WTO standards.

Q357 **Lloyd Russell-Moyle:** The experts said that it did go below WTO standards.

**Kemi Badenoch:** If you write to us and point to the detail of that, I am sure we can come up with a comprehensive answer, but from what you are saying I suspect it is not quite the case.

Q358 **Chair:** Thank you. Just before I move on to Mark Garnier, let me ask a question about George Eustice's views. George Eustice thought that responsibility for agrifood negotiations should go out of the DIT and into DEFRA, which understands it better and has to make three-yearly reports on UK food security. DEFRA probably feels that it has been undercut by DIT. What do you make of Mr Eustice's opinion that the Trade and Agriculture Commission should be placed under DEFRA instead of the DIT? Where are we? Is that a departmental turf war? Finally, what role does the Cabinet Office have in trying to resolve the very clear tensions between DEFRA and DIT?

**Kemi Badenoch:** There are no tensions between DEFRA and DIT. I get along very well with the current DEFRA Secretary. I think what we are having is a—

**Chair:** Have there been tensions?

**Kemi Badenoch:** Let me finish my answer, Chair. There are no tensions between DEFRA and DIT. DEFRA officials were in the negotiating team. What we have are tensions between different sectors of the UK that want different things, and it is our job as DIT to manage them. When two Departments want different outcomes, the Cabinet Office facilitates, but we manage these things quite well across Government.



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I remind the Committee that, when this was done, George Eustice said that it was a good deal. He may have said something different, but he is disagreeing with himself as much as he is disagreeing with any other Department. I am here representing DIT. George Eustice is not the current DEFRA Secretary. Thérèse Coffey is, and I believe that, when she was asked, she said that she did not agree with George Eustice.

**Q359 Chair:** We have had a Minister from DEFRA and a Minister from DIT together in front of us. In fact, they put on a display, told us how harmonious things were and hugged in front of the Committee. It was quite a display. What we subsequently discovered was that, at the very moment of the hug, daggers were drawn and knives were going into backs. The presentation is continually that all is rosy in the garden, but it really isn't, is it, Secretary of State?

**Kemi Badenoch:** That is a fantastically dramatic portrayal of what are actually the usual disagreements within Government. At the end of the day, the principle that we abide by is collective responsibility, and that is all that matters.

**Q360 Chair:** You made a point earlier about not rushing into these negotiations. If they had taken their time and could still be negotiating—they are not in play at the moment—they might have had better deals.

**Kemi Badenoch:** If they had taken their time, you would probably be saying, "Where are these deals that you promised?" There is a tension there between people saying that they want to see things now and us taking the right amount of time.

**Q361 Chair:** That takes us on quite sweetly, because there are many problems, and I will come back to that very point of view. There was a cracker of a point about the damaging effects of what has happened in the last few years. I cannot wait; I am looking forward to Mr Garnier's contribution.

**Mark Garnier:** Congratulations on your appointment, Secretary of State. I do not think anybody has managed to make that point yet.

**Kemi Badenoch:** Thank you.

**Q362 Mark Garnier:** How does collective responsibility work in practice? The previous two Prime Ministers—I know that they did not cover a particularly long period of time—were accused of back-seat driving in these negotiations. This is a two-part question. One part is about where the negotiating position is set. There is still an ongoing discussion about what the UK's trade negotiating position is. Where is the trade policy being set? Is it DIT, the Cabinet or the Prime Minister? The second part is to do with the style—how you go about the negotiations. Partly, this is to do with whether Prime Ministers are interfering in terms of that style. Are they saying, "Crack on," "Be a bit tougher," or "Be a bit softer"?

Those are the two questions. To what extent are the Cabinet and collective responsibility involved in trade negotiating objectives? Is there any interference—perhaps that is a question for you, Crawford, because you lead on negotiations—by the Prime Minister, whoever he or she may



be?

**Kemi Badenoch:** I would not use the word “interference”. The Prime Minister sets the mandate. On my appointment, both Liz Truss and Rishi Sunak would outline what it was that they wanted to see. All Government policy starts with the Prime Minister. I think the challenge occurs when a Prime Minister wants something to happen sooner. Then there is a tension with what a Trade Secretary can do within the mandate that they have been given. For what it’s worth, having seen what happened on the India FTA, where I definitely wanted a lot more time looking at it—the previous Prime Minister, having been a Trade Secretary herself, had a different view. Obviously, I had to defer to her. I would not call that interference; I would call that my boss giving me my instructions, but I have an opportunity to feed back. What I would say is that the current Prime Minister does not do that. I have spoken to him about deadlines, and he agrees with me on that: he says it is about the quality, not the speed, of the deal.

Q363 **Mark Garnier:** It is a really interesting point you make about the previous Prime Minister, and I think she found a deadline earlier than she was expecting in her own career. The important point on that—I think you made this point a little earlier—is that the last thing you want to do is to have a timed deadline. The fact that the Prime Minister, whoever it was at the time, was able to try to put a deadline on a negotiation with India, which is a huge country, is quite worrying, isn’t it? We can see what happened to that particular Prime Minister because she took some very, very bad decisions at many—multiple—levels. I think we have to be honest about that.

**Kemi Badenoch:** I am not commenting.

**Mark Garnier:** There’s a 15,000-word essay in there somewhere.

**Chair:** Not this afternoon, please.

Q364 **Mark Garnier:** But it is an important point. Again, I am looking to Crawford on this, because he is well known as being one of the world’s greatest trade negotiators, which is why he was brought to the Department in the first place. If you have a Prime Minister who has the wrong objectives, that can hinder the very, very good work of the officials who are doing these trade negotiations. How do you push back? As I say, I don’t for a moment think that Rishi Sunak will fall foul of this, but it may be that at some point you do have to—

**Kemi Badenoch:** I can provide an explanation for how it does happen. One thing I don’t want the Committee to take away is that we shouldn’t have deadlines. The public deadline is the problem. Internally, we will know we should be able to get this done by March or September, and so on. What can happen inadvertently is an internal deadline becoming public, which can create some of the issues where a Prime Minister may have said something and then we need to work to it. Flexibility is the key thing—always being very honest and ensuring that even if a deadline has been set, it can be flexible, so that the other negotiating party doesn’t get





the upper hand. But the truth is that even with, perhaps, an internal deadline that I have set, sometimes things will change during the process of a negotiation. With countries like India, if they have elections, for example, their political environment can make it tricky to talk about certain things or announce other things, and we need to be respectful of that as well. A deadline can create a problem also for the other side. It just goes to show what a moving feast a trade negotiation is. But internally, we will have a fixed time by which we expect to conclude things.

**Q365 Mark Garnier:** It would be quite useful, on something as important as the European Union, to know how the relationship is between DIT and the Cabinet and the rest of Government in terms of how the trade relationship with the EU is handled. Is DIT the lead Department for all the potential trade problems that we have with the European Union—the stickiness at the borders, and all that kind of stuff—or is that each individual Department where that is appropriate?

**Kemi Badenoch:** The trade and co-operation agreement is different from all the other ones. We don't lead on the TCA, but we lead on what I would call the operation of it. In terms of who sets the regulations, the agreement was not done by DIT as such; it is an FCDO lead. But if you are having a problem exporting to France, that would be us. The bread and butter of trade and investment is still DIT—we lead on that—but on the agreement itself and if we want something changed, that would be FCDO.

**Q366 Mark Garnier:** But if we wanted something changed on the Australian trade deal, that would be DIT.

**Kemi Badenoch:** Yes.

**Mark Garnier:** So it is unusual in that?

**Kemi Badenoch:** Yes, it is unusual, but I think—

**Mark Garnier:** Is that a healthy unusual?

**Kemi Badenoch:** It is different. Obviously, in the empire power grab, I would probably want to be in charge of every single thing that had to do with trade. The reality is that that is not realistic, and FCDO has its own specialists and expertise, so the key thing is making sure that we work well together. But in terms of trade policy from an exports and investment perspective, given that that is where I want to focus, I don't mind that the TCA sits with another Department.

**Q367 Mark Garnier:** I will just quickly ask this, if I may. As you know, I used to be a Minister in the Department, and there was always a little bit of an interesting tension between DIT and FCDO—or FCO as it was then. Do I sense that that tension has not quite disappeared?

**Kemi Badenoch:** No, it's not so much a tension between the two Departments—I obviously get on well with James Cleverly, and many of the FCDO Ministers are friends of mine. It is a hangover for me from the nightmare Brexit Parliaments in 2017 and 2019, where we ended up doing





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something in a particular way, and that is just the way it is. It means that things are different, but they are not unhealthy, which was the question you asked, or bad. Obviously, when it comes to trade policy, we feel that we have the expertise from a negotiating perspective, but we also recognise that the FCDO brings a lot to the table, so the key thing is making sure that the two Departments work well together.

Q368 **Mark Garnier:** And that it is one Government overseas.

**Kemi Badenoch:** Exactly.

Q369 **Chair:** I have a quick question on the current Prime Minister. Which of his two views on the Australian trade deal is he currently deploying? Is it the one that it is a bad deal or the one that it is a good deal, because we know that in the Conservative party leadership contest he described it as a bad deal? Is that still his position?

**Kemi Badenoch:** As far as I am aware, the Prime Minister and I agree that the Australia deal is a good deal. I think that if he were here, he would be saying, "Of course, there is always more that we want to do, and the Australia free trade agreement is not set in stone forever and ever, but actually we need to work within—"

**Chair:** Do you—

**Kemi Badenoch:** I am still answering the question. We live in a world of constraints. Asking for the perfect deal every single time will not be possible because what other countries will want from us and vice versa is not necessarily realistic, but is it a good deal? Yes. As I said, there are no tariffs on UK goods and there is all the services sector stuff on where the UK wants to be in 10, 20 years' time. Yes, it is a good deal.

Q370 **Chair:** So the deal was unchanged from both his views. Why did he say one thing to the Conservative party membership and another thing to the UK at large?

**Kemi Badenoch:** I cannot comment on his comments during Conservative party leadership—I actually didn't pick that up. What I know is what he has said about the deal as Prime Minister—as Secretary of State, that is the statement I am here to make.

Q371 **Chair:** So Opposition MPs pay more attention to the Tory party leadership than Tory MPs.

**Kemi Badenoch:** The Secretary of State and the Prime Minister are of one mind.

Q372 **Chair:** In your experience, Crawford Falconer, were any Prime Ministers pushing, encouraging or setting deadlines for Trade Ministers to get on planes, get things signed or get things done, in that very boosterism kind of way? Can you think of any Prime Minister who might have done that? I am particularly thinking of the Vietnam trade deal. Does that ring any bells?



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**Crawford Falconer:** In my experience, Prime Ministers who have been present and in charge of decisions by their colleagues want to see them implemented, and they want to see them implemented effectively. I think that is a pretty uniform experience with Prime Ministers.

Q373 **Chair:** Does it ring any bells—"Get on a plane, get it done, get it negotiated, get the paper, get it signed"?

**Crawford Falconer:** I don't hear any literal echoes of that kind, because Prime Ministers very rarely directly address me or are in my hair.

**Chair:** So you were not aware of it. Ministers were telling me at the time, but they were not telling you—that is interesting.

Q374 **Lloyd Russell-Moyle:** This split between FCDO and DIT—is there a case to just merge them?

**Kemi Badenoch:** No.

Q375 **Lloyd Russell-Moyle:** Why not?

**Kemi Badenoch:** Because, given everything that has happened since we left the EU, DIT is very much a Department that is focused on business. It is investments and exports. It is a business-focused Department. FCDO is more about relationships. It covers far more regions and countries, and what we have seen is people who want to work specifically on trade come to DIT. It has created a brand of its own, and I think that is working well. It is also what we see across many other countries, so I have counterparts whom I am speaking to. I think the standard thing is actually for trade to be separate from foreign affairs.

**Lloyd Russell-Moyle:** You said in your visit to Washington last month that we "shouldn't get too hung up" on the idea of negotiating free trade agreements. You mentioned it even in your opening statement. **Kemi Badenoch:** I did.

Q376 **Lloyd Russell-Moyle:** Could you tell me what you mean about that? Does that mean that the Department will move away from counting the deals to actually supporting businesses for once?

**Kemi Badenoch:** Apart from the "for once", I agree with that statement. It is changing the emphasis. What I find is that people rarely ask me about exports or about investments. They just ask about free trade agreements, which are fantastic—they will be helpful in facilitating trade—but a trade agreement in and of itself is not trade. On the trip to Washington, for example—and the US is a place where I really want to emphasise that—we wanted a US free trade agreement. When we made those statements, we had a President who wanted to do a free trade agreement, but there is now a new President who does not want to do any free trade agreements with any countries—it is not about the UK. I have been to the US twice now. If a country doesn't want to do an FTA, that doesn't mean that we walk away and don't do anything. Without an FTA, the US is still the single biggest investor in the UK. I mentioned the market access barriers that we have been able to remove. DIT still has a lot of work to do in the less sexy



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areas of getting tariffs removed and so on. That's basically what I was driving at with that statement.

**Q377 Lloyd Russell-Moyle:** I agree with you that that is what the Department needs to focus on. Would it not then be better to have a Department for business and trade, and allow the negotiations to go to the FCDO? As you said—in your own words—it is the one that develops the relationships. When we were in the Gulf states, the ambassador in Dubai who leads on trade wasn't even involved in the ongoing negotiations with the GCC, even though he is the trade lead for the whole of the GCC. Is there not a problem that, even though we might say we are one nation abroad, it would actually be better if the negotiations were just under one Department, and you could focus on the bits that you were really passionate about?

**Kemi Badenoch:** What you've just described is a machinery of government change, which we often hear. Actually, it's a process thing. I try not to get involved in the renaming and the moving bits and pieces here and there. We had this exact debate with DFID and the FCDO. I remember people on the other side of the House saying, "Don't merge the Departments; it needs to be separate", so it is quite interesting hearing the other side of it.

**Lloyd Russell-Moyle:** I'm just trying to seek consistency—either you are separate or you're together.

**Kemi Badenoch:** These things will always depend on where a Prime Minister wants to focus. This is well above my pay grade. I will say that we are not there yet with GCC; the discussions are still at very early stages. That is probably why that is happening. I have met—at least I believe I have met—the ambassador and I regularly meet representatives from other countries. When the time comes, when we have moved past the ones that we are currently negotiating—CPTPP, India and so on—I think you will find that things are in a better place. It is probably more of a function of the pipeline than of which Department is carrying out negotiations.

**Q378 Lloyd Russell-Moyle:** Businesses, I suspect, will be jumping with joy at your statement that you are going to focus on building up businesses in Britain and trade promotion, because it has been a bit of an abject failure in the Department so far, hasn't it? DIT's Export Support Service helpline was outsourced to Hinduja Global Solutions and ended up costing £270 per call; it has now been scrapped, costing more than £2 million in total. How on earth do you think this was allowed to happen, and how will you ensure that the kinds of disasters that your predecessors have overseen will never happen again on your watch?

**Kemi Badenoch:** First of all, it was not a disaster, but it was obviously something that wasn't working. I think we need to be very careful about hyperbole. If a support service is too expensive and not efficient, and we change it and close it down, that is not a disaster. We need to remember where we were when the support service was created—leaving the EU,



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concerned that there were going to be loads of companies that were worried about trade and not necessarily knowing how to follow the new regulations, we needed something to do that. Actually, the Export Support Service came into its own during the early days of the Russia-Ukraine war. I have some stats here saying it responded to over 4,000 inquiries related to Russia, Ukraine and Belarus. We have brought it in-house now, as it wasn't working. That is actually a testament—

**Q379 Lloyd Russell-Moyle:** And have you scrapped the £270-per-call charge?

**Kemi Badenoch:** It is no longer that expensive, but that is actually a sign of a Department that is working—we look at how a service is being delivered and, if it's not efficient, we change it around, rather than leaving it.

**Q380 Lloyd Russell-Moyle:** Why is there a charge at all? If we are really into the business of promoting—

**Kemi Badenoch:** I don't think there is a charge. I think that's just a cost. I don't think we charge people for the call.

**Q381 Lloyd Russell-Moyle:** That's good to hear. How can you say that that service was successful when we have seen reduced trade with Japan?

**Kemi Badenoch:** Well, the Export Support Service was primarily around the EU. That is where it was promoted and set up. It has been brought in-house. Like I said—

**Q382 Lloyd Russell-Moyle:** Ukraine and Belarus wasn't, and Russia wasn't EU.

**Kemi Badenoch:** That is what I mean—it was set up for that. The fact that it was there meant that it could then be repurposed for something else. We are not repurposing it again for Japan. I don't think that that would be the right thing to do.

We have to look at what the drivers are for exports falling. It doesn't necessarily mean that people don't know how to export to Japan, or don't know what the regulations are. That is not where I would look to. It is something where I want to get to the root cause, but supply chains, covid and probably a little more work looking at what is driving that will be critical.

**Q383 Lloyd Russell-Moyle:** But export support is important for businesses, wherever they are exporting to.

**Kemi Badenoch:** Yes, so we still have an Export Support Service—it is just in-house, and it is digitised now, which will bring down costs as well.

**Q384 Lloyd Russell-Moyle:** But is it just focused on Ukraine and the EU, or will it focus globally?

**Kemi Badenoch:** No, it is still a general Export Support Service.

**Q385 Martin Vickers:** Returning to the negotiations, or non-negotiations with the USA, are talks continuing with the individual states and are they a realistic alternative to a full-scale FTA?



**Kemi Badenoch:** They are incredibly helpful. We are signing memoranda of understanding with the different states. What they will help do is provide a foundation should we have a change of approach with the current US Government or a new US Government—there is something to build on. Greg Hands, the Minister for International Trade, is going to the US to sign one of those MOUs. When I was in Washington, I had very productive conversations with a Congresswoman from another state where they are very keen to do this with the UK. They already have quite a lot of UK-US trade.

What I am finding is that much of what we are trying to do is relationship-based. It is not enough just to send officials with requests and try to do it that way. When they know who you are, have seen your face and recognise what you are about and what you are trying to do, it facilitates a lot more in terms of being able to solve problems. For instance, when I was there, I was raising the issue of the Inflation Reduction Act, which is going to impact not just us, but also the EU, South Korea, Japan and so on. They are actually very pleased with our engagement; they think we are leading on this and are doing very good work. Those are the sorts of things which we are doing with the US.

Again, it is not all about FTAs. The MOUs are fantastic because it means we are learning a lot more about the country that is the size of a continent and building stronger relationships there. I am very pleased with how that is going.

Q386 **Mick Whitley:** Secretary of State, my question is about advisory groups and civil society engagement. None of DIT's 11 trade advisory groups include trade union representation, despite your predecessor telling us in April that she wanted "to see trade union membership on as many TAGs as possible" and was "working with the TUC" on this. What would you do to address this issue?

**Kemi Badenoch:** My understanding is that there are trade unions on the advisory groups. Am I—is that correct?

**Crawford Falconer:** There have been, yes. There still seems to be some persisting uncertainty about this. I can try to put the record as clear as I can on it.

We have had the TUC on the STAG—the Strategic Trade Advisory Group—and we have our own trade union advisory group dating back some way, where we did engage with the TUC, but they were unhappy that we didn't have more union representatives on the TAGs, which are the sector-specific advisory groups. They wanted trade union representation on all of them. The Government took the decision that it would seem appropriate in terms of the balance of interests that that would be on five of those TAGs. But because the TUC felt that that wasn't sufficient, they stopped meeting in the trade union advisory group with us.

We had quite a lot of to-ing and fro-ing to try to reach agreement on who would go on the TAGs, if you like. Essentially, the unions decided they



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wanted six and the Government's decision was that five would seem appropriate. Finally, we reached an agreement in the middle of last year that it would be five. But lo and behold, at that point in time, the inbuilt date for the expiry of the review of the membership of all the TAGs kicked in. We have to resolve the review, but I believe, on the basis of the understanding that we have at the moment, we will have resolved it, that we will have the trade unions on five of the TAGs, and that they will agree that that is sufficient going forward. I think we are in a position to resolve it. We have to let the review take its course but, going into the review, that seems to be a basis on which we can proceed.<sup>1</sup>

**Q387 Mick Whitley:** I welcome those comments. However, when we discussed this with Liz Truss in April, she was wary, although she wanted trade union representation on the TAGs. My understanding is that it was in line with the EU policy of having advisory groups and that there would be no diminution of the 11 groups. Why are we trying to divide the trade unions? They are part of our society.

**Kemi Badenoch:** Obviously, I am a different Trade Secretary. What I actually want to do is just carry out an overall review on how the TAGs and STAGs are operating. I will certainly bear that in mind and look at what I think is going to work best, but I take your point.

**Q388 Chair:** I don't think it will be long before we see the Secretary of State again, and perhaps there will be trade union representation on the TAGs by then. You can chalk that up as a win, Mick.

**Kemi Badenoch:** That was not a commitment to do every single thing that Mick wants. It was a commitment to review and look at what works best.

**Chair:** You cannot take the win away from Mr Whitley at this stage. You cannot give him the gift and then draw it back.

**Q389 Lloyd Russell-Moyle:** Would it be possible for you to write to us with a list of the TAGs you are accepting when the deal is done? There are 11 TAGs, and there is only one that I cannot see would be appropriate.

**Kemi Badenoch:** It is public information, is it not? I think it is on our website.

**Q390 Lloyd Russell-Moyle:** On your website, there are 11 TAGs listed; there are no unions listed yet. When you finalise the agreement with the unions on which ones—

**Kemi Badenoch:** We will update the website.

**Q391 Lloyd Russell-Moyle:** But rather than us going and checking, and working out which five those are, it would be helpful if you could just

<sup>1</sup> Note from witness: Unions originally asked to be represented on **ten** TAGs, DIT offered representation on **six**, and the eventual compromise agreed would see Unions represented on **five**. This outcome is part of a membership review, which is now being considered by the Secretary of State.





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write to us. It would be useful if you could put in an explanation note about your views on why the other six are not appropriate for trade unions. I can understand that investment is probably less appropriate, but I would have thought that all the others would be appropriate, so it would be good just to know the rationale behind why those five have been chosen.

**Kemi Badenoch:** We can do that when we have carried out a review.

**Chair:** Thank you very much. That is fantastic, Secretary of State. The great Mark Menzies—I think you are standing for the IPU today, Mr Menzies.

Q392 **Mark Menzies:** I am. Secretary of State, welcome to your role. It is a very interesting and challenging Department, but your appointment comes at a time when Government Departments are facing real pressures on their budgets. How do you propose to find the savings and efficiencies that have been committed to in the autumn statement?

**Kemi Badenoch:** I think from memory that our spending review settlement is not changing. Am I right?

**Crawford Falconer:** Yes.

**Kemi Badenoch:** This is where getting a perm sec in very quickly is going to be helpful, because we are doing a lot of the departmental administration without a perm sec. I think the spending review settlement is unchanged, but we have a business planning cycle where we understand the economic environment that we are in. Every Department has to look at efficiencies, so we will be doing that in the usual way. It is a challenge.

The bigger challenge for us is around pay. We had a good settlement on pay recently, because I remember signing off the request for that, and the Cabinet Office has approved it. In terms of pay, we are not doing quite as well as other Departments—it is a younger Department, for example. We need to balance all that in mind and make efficiencies. Our costs are mainly around staff, so we have to make sure that we strike a balance whereby people are being paid properly, especially overseas, and that we are keeping in good balance with the other Departments across Whitehall. That would be our biggest challenge.

Q393 **Mark Menzies:** That is great. I have a brief supplementary question. When we travel abroad and see what some competitor countries do, in terms of big export pavilions supporting UK exports, there is no doubt that we have got much better at this in recent years, but sometimes stuff is left on the table. What plans do you have further to increase relationships with UK private sector companies to get more sponsorship and so on from people who would benefit from the UK succeeding overseas? Rather than that burden falling entirely on the taxpayer, that would get more private sector money in to support export events. That all happens at the moment, but how can we expand it further?

**Kemi Badenoch:** A good example of one thing we did was the Green Trade and Investment Expo in Gateshead last month. Barclays was one of





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the sponsors. We got people from all across the world, looking at clean energy investment in particular. There was a lot of interest.

The Department does quite well in its relationships with the private sector. UKEF, for example, delivers quite a lot of its funding—I think probably all its funding—through retail commercial banks, so that is one relationship. It is mainly about building on existing relationships.

I do not know—I should look into this shortly—what new plans we might have to strengthen private sector sponsorship for things like trade promotion. There is quite a lot of interest when it is something that is very much in the sphere of what an organisation is looking at, but everyone is tightening their belt, so it is becoming more and more of a challenge. However, we are not being complacent.

**Mark Menzies:** Thank you.

**Chair:** Thank you, Mr Menzies. You are, of course, No. 1 on this Committee for the IPU vote. I call Mr Girvan.

Q394 **Paul Girvan:** Congratulations on your appointment, Minister.

**Kemi Badenoch:** Thank you.

**Paul Girvan:** On that, what is your full complement of trade negotiation staff and how many vacancies do you have?

**Kemi Badenoch:** Crawford, do you know about staff numbers?

**Crawford Falconer:** I do. I have them written down here somewhere. I will dig them out.

**Kemi Badenoch:** Bear with us. I do not know the staffing numbers in specific teams; I know them more in general.

Q395 **Paul Girvan:** It is the vacancies that we want. Are there vacancies within that complement?

**Crawford Falconer:** There are a few vacancies that we still have to fill, but we are getting close to filling our target for the moment. We have something like 500 people for negotiations at the moment, so I think we are very close—much closer than we have been—to onboarding them now.

Q396 **Paul Girvan:** How many vacancies have you not filled?

**Crawford Falconer:** I would have to check the exact numbers, but I think we have about 60 whom we are trying to onboard at the moment. They are going through a process of onboarding. We are probably looking at about 70 or 80 more getting their feet well and truly on the ground.

Q397 **Paul Girvan:** In doing so, as has been mentioned in relation to efficiencies, is there an indication of additional staff or a reduction in staff? We know how efficiencies will be pushed in the next financial year with the difficulties that we are going to encounter. How will that impact on the Department's staffing levels?



**Crawford Falconer:** That remains something that we have to work through. In the abstract, it does not necessarily have to affect staffing levels. Staffing is a large component of our costs, but there are other ways in which to reach efficiencies: going about our business a different way, taking other sources of cost out, and natural attrition, which we can align with our objectives.

At the moment, that is precisely what we will do over the next little period, to figure out how we can meet the need basically to cover inflation in our existing vote. As the Secretary of State said, that has its challenges, but it is quite healthy: we should be looking at whether we can have efficiencies, so it will just accelerate the process. I don't think there will be any draconian change in the period of the current spending review, but we will need to look at whether we can do things a bit more effectively. I hope the answer will be that we can, but I do not operate on the assumption that it will lead automatically to a decline in numbers. It might, if we cannot find a better way of doing it, but the best way to do it is to seek other efficiencies in overheads, prioritisations and systems, which I think we are capable of doing.

Q398 **Paul Girvan:** Just as an add-on to that, I appreciate that some of your staff have focused primarily on international trade, but there are regions within the United Kingdom where international trade becomes a barrier. I am being very local on this, because it is extremely important—the protocol and the difficulties that it causes for businesses in Northern Ireland, primarily regarding the supply chain from the United Kingdom, to being able to actually export. We have one major company in Northern Ireland that buys up a lot of steel because it manufactures for the quarry industry. It may ultimately end up with steel tariffs, which will hit it very badly. That is simply because of the Northern Ireland protocol. What focus will the Department have on ensuring that those sorts of issues are also being looked at in the round in relation to raw trade within the United Kingdom, as well as the international aspect of it?

**Kemi Badenoch:** It is a really good question, and, again, it is one of those areas where, as we were talking about with FCDO, the Northern Ireland Office leads on a lot of it. So, what have we done as DIT?

Q399 **Paul Girvan:** I am afraid that I have very little confidence in the Northern Ireland Office, by the way.

**Kemi Badenoch:** I think that it is in good hands, but I will tell you what we are doing. We established a trade and investment hub in Belfast in March this year, and that is specifically to provide a lot of that technical support. I am not going to sit here and pretend that everything is easy or fine; businesses do need additional help.

That is a team of nine people who are trying to make sure that businesses in Northern Ireland have the same access to DIT services as elsewhere in the UK. We have the export academy, which does training, and we have export champions. That is one thing we are doing. We do want to grow that as well. We are talking about staffing numbers and making sure that



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there are enough people to provide that service. I also know that HMRC supports traders who move goods in and out of Northern Ireland through the trader support service. I do not cover that, but I am told that that is something that we assist with as well.

Q400 **Paul Girvan:** It is all additional costs—

**Kemi Badenoch:** Yes, it is. I wouldn't deny that.

**Chair:** I will not say that we are happy, but we are finished on that point. We are just over halfway, time-wise. We are getting through probably most of what we need to, but we have votes likely at 3 o'clock, which, of course, will pause this session. We can pick up the pace quite markedly and maybe get through an awful lot of it so that we do not have as much to do after the votes. Mr Garnier, you can set an example, or not, with the Secretary of State, who can also set an example, or not.

**Mark Garnier:** I think proper scrutiny is important, Chair. We would not want to skip over it.

**Chair:** Well said, Mr Garnier.

Q401 **Mark Garnier:** Back when I was a Minister, Secretary of State, we did staff surveys on happiness and contentedness, and they were not very good. That was back in 2017-18. They are still not very good. I think that in the latest one, the pay and benefit satisfaction score was at just 28%. Clearly, you have just arrived, but do you recognise that there is a problem with staff satisfaction within DIT?

**Kemi Badenoch:** It is mainly pay satisfaction, and I do absolutely recognise that. As I said, we are below par compared to other Whitehall Departments. We have made a request to try to improve and increase that. I am somebody who really believes in morale and in people being happy to be where they work, and the truth is that a lot of the DIT staff are not based in the UK, but they all respond to those surveys. In some countries, I think that morale—I will not name which specific countries, because I do not want to create more news headlines than necessary, as I am sure you can imagine—

Q402 **Chair:** Oh, go on!

**Kemi Badenoch:** In some countries, it is actually becoming very difficult because of increasing tensions between the UK, generally, and those countries. If you can imagine, there are places still implementing zero covid, and being a staff member working in that kind of place—there is a lot that is feeding into why people are unhappy, and we are doing what we can to provide support, especially for those people who are overseas. Overall, in terms of how people feel about their team, inclusion, fair treatment and so on, I think we are doing quite well on those numbers, but pay definitely is an issue, and inflation is going to make that even more challenging.

Q403 **Mark Garnier:** When the Investment Minister, Dominic Johnson, was on his brief sabbatical while a reshuffle was going on and he was not in



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government, he made the point that it is an interesting Department—it is very much a commercial Department that has commercial objectives, and yet a lot of the staff who are trying to promote commercial objectives are being paid as civil servants. There is a disconnect between the very good role of a civil servant who is delivering a job for Government and that of selling the country, which is a sales job. He made the point that those who are on the frontline selling Britain should be sales-type people and paid accordingly. What do you think of that?

**Kemi Badenoch:** So commission on free trade agreements, perhaps?

**Mark Garnier:** Well, I do not think he meant that, but you can put targets on boosting exports and deals won. It is possible to do it.

**Kemi Badenoch:** It is an interesting idea. I am not sure how it would fit within our current civil service framework if people were effectively getting commission and bonuses on performance, because I do not think you can always isolate exactly what impact an individual has had in a space when we are talking about Government work and Government activity. That would be challenging.

Yes, we do pay civil service rates, but many people want to work in public service. I was speaking to the outgoing chair of UK Export Finance, who is a former investment banker. The people who run UKEF, for instance, are on broadly very high civil service pay, and these are people who earned far more. The way he explained it to me was that it is about wanting to give something back and do something different. If we can fish in that pool—not necessarily the young salesperson who wants to get a big commission, but probably somebody who does not need to pay a mortgage or does not need the money in the same way but is bringing a lot of experience. That is certainly a pool we can fish in, because people want to give back, so we should encourage those sorts of people. The broader problem is civil service pay within DIT; that is what we need to look at.

**Chair:** Secretary of State, you will be delighted to know that we are moving on to the export area. Multiple tag teams will be going on as we pick up the pace, and Mr Mick Whitley is first.

Q404 **Mick Whitley:** Do you think that the UK should be an export-led economy, and if so, what exactly do you understand that to mean, and how would you know if it had been achieved?

**Kemi Badenoch:** “Export-led economy” is a phrase I heard as something that had come from a statement made by a previous Secretary of State. I think it is probably true in some respects, if we can make sure we are talking about not just goods exporting but also services exporting. We have a very, very large services export market. I think we are the second largest services exporter in the world and the seventh largest exporter overall.

Exports is us selling to other countries; that is the simple fact of it. Do we want our economy to be led by that? I think so. We have had lots of



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conversations for multiple years across several Governments about global Britain. There was an ambition for us to reach £1 trillion-worth of exports by 2030, and that is an ambition that we should continue to work to.

If that is what we mean by an export-led economy, absolutely, but a lot of people think that an export-led economy is us doing more agriculture and so on, which is extremely competitive and is not where the UK has comparative advantage. While we want our farmers to be successful and to know that we have their backs, exports more broadly will be where we have our expertise, and that is the services sector.

Q405 **Mick Whitley:** Where do you sit on manufactured goods?

**Kemi Badenoch:** On manufactured goods, we do well. As I said, we are the seventh largest exporter in the world, but manufactured goods are not specifically services; they might support services. We can do a lot more digital trade, for instance, but an export-led economy, for me, means selling to other parts of the world, not just our own.

It is a challenge that we need to stay aware of. Because we have such a large domestic market, many people in the UK do not think about exporting their goods and services, which is why we have the export champions and Export Academy programmes. They may not sell as much, but small companies are often nimbler because they do not have a big enough market, so they know how to do a lot of things that people in the UK do not. We want to ensure that we are creating new exporters every year.

Q406 **Chair:** I think two days ago, Secretary of State, you said that Scottish businesses—on this St Andrew’s day—are playing a key part in making the UK an export-led economy. If you stripped out Scottish businesses, what would that figure be?

**Kemi Badenoch:** Sorry, I did not hear the question.

Q407 **Chair:** If you stripped out the contribution of Scottish businesses, with the probable advent of Scottish independence in the next few years, where would that leave the UK export economy?

**Kemi Badenoch:** You are asking if Scotland went independent, where would that leave UK exports?

Q408 **Chair:** Where would that leave the rest of the UK’s export-led figures?

**Kemi Badenoch:** I am not sure that I have those figures to hand. What I do know is that Scotland is a very valuable part of the UK when it comes to exports.

Q409 **Chair:** I would imagine that you think that.

**Kemi Badenoch:** Obviously you are speaking to a Unionist, and I have spoken to Scotch whisky producers many times. It is not just a great export, but one of our flagship exports. What people look at in the UK is quality, rather than the volume of goods, so we do not want to split our United Kingdom at all. We are doing everything—



Q410 **Chair:** That is not surprising when you need those exports.

**Kemi Badenoch:** Well, one of the things that Scotland does benefit from having is the expertise that the wider UK brings. You will know that the trade promotion, the trade expertise and the links are all in the centre. I had a good meeting with Ivan McKee not that long ago, and we spoke about what he was doing.

**Chair:** Put him in charge.

**Kemi Badenoch:** No. But it goes to show that we can work well together. It does not all have to be done in London; we had the Board of Trade meeting in Wales just this Monday. We need to ensure that it is all joined up. Scotland is an integral part of the UK, but Scotland's success comes from having links within the UK. We do so much in order to support Scotland, and we will continue to do so.

Q411 **Chair:** It makes me wonder why Ireland, Iceland, Norway and Denmark have a better GDP per capita when the rosiness in the garden that you have just presented apparently exists, in your view.

**Kemi Badenoch:** I cannot speak for why Scotland and Norway—well, certainly Norway—

Q412 **Chair:** Iceland and Ireland, which left the UK.

**Kemi Badenoch:** We know exactly why Norway has that, and it is because of its phenomenal fossil fuels legacy. In terms of GDP per capita, I do not have the figures in front of me, but I am sure—

Q413 **Chair:** I will accept a letter on that.

**Kemi Badenoch:** We can send a letter to explain. The UK is a very diverse country and there is a lot more going on—

**Chair:** You can tell me about the GDP per capita of the UK versus those four countries in the letter. I look forward to that.

**Mark Garnier:** You are going to be writing a lot of letters.

**Kemi Badenoch:** Yes.

Q414 **Mark Garnier:** I will just carry on with this export data. The UK now has significantly lower goods export volumes than other advanced economies. When you look at exports overall, you see that in the period 2020-2021 there was an 8% increase—the global average was an 8.2% increase in exports. Other advanced countries were averaging a 5% increase in exports over that period. The UK saw a 14% decrease, so it seems that we are going in the wrong direction. There are lots of arguments about why that could be. It could be the TCA with the EU making it sticky, but the reality of it is that irrespective of whether you are talking about goods or services—I am more interested in goods here—we are not doing very well, are we?

**Kemi Badenoch:** No, we should be doing better, and it is clear that we should be doing better. We have an export strategy that will be focused





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on trying to address those issues. As I said before, we cannot just be complacent and think that because things have been okay, they will always be okay. We have had supply chain bottlenecks and the covid backlog, which has had a significant impact. Looking at what we are doing on supply chains more broadly, that is something that BEIS would be doing. Even from a security perspective, it is absolutely critical that we ensure that we are diversifying as much as possible. In terms of Russia and Ukraine, we have been—

Q415 **Mark Garnier:** There is a global problem. We must focus on the fact that we are in a competitive marketplace, and if we are not winning this—it ultimately comes back to this great Brexit argument, which I am certainly not proposing to reopen. We are all bored to death with it.

**Kemi Badenoch:** Thank you.

**Mark Garnier:** You are welcome. But DIT's function in the world and in Government since 2016 has been to deliver the Brexit dividend, which is boosting trade and all the rest of it. You are taking on this challenge, but the evidence suggests that it has not really worked.

**Kemi Badenoch:** I would go back to first principles. What are we trying to do? A lot of DIT trade policy stems from the integrated review, in which there was a very clear statement about an Indo-Pacific tilt. I am not going to pretend that everything is fine now, but there was a reason why we left the EU, and it was not due to the scaremongering and some of the nonsense that we saw.

In the future, 40% of the middle class will be coming from the Asia-Pacific, and we need to reorient our economy to deal with that. We cannot pretend it is not happening. Europe—the EU in particular—is getting a lot older and demographics are changing, so what are we going to be specialising in? Where is our comparative advantage coming from? That does not mean that tomorrow we are going to swap everything around and everything is going to be okay. What we are doing is planning for the future.

Have there been difficulties? Yes. There always were going to be difficulties. I am not one of the Brexiteers who said, "Everything is going to be fine as soon as we leave." This was a very difficult decision for people like me, and it was making a play for the long term.

The Indo-Pacific tilt means CPTPP, an India FTA and so on. We have to be realistic about what we are trying to do. We cannot just sell beef today or export a technology that may not be worth keeping tomorrow. We have to think about the future and about what we specialise in—R&D and science. We are a life-sciences superpower. The strategy will focus on all those things.

**Mark Garnier:** In the interests of full disclosure, I ought to reveal that I am a Prime Minister's trade envoy. That is relevant to the performance of DIT.

Q416 **Chair:** Done and disclosed. I want to pick up Mr Garnier's figures. He mentioned that everybody else's exports are up 5%, and the UK's are





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down 14%. That fits with the Japan profile that I gave you at the beginning. You said that it is maybe something internal in the EU, but Japan is not an outlier; this is what is happening to UK trade everywhere. UK trade is going down, and everybody else's is going up. You said that you need to orient yourself to the Asia-Pacific, but isn't the EU orienting itself better to the Asia-Pacific, given that its trade is up and the UK's is down?

**Kemi Badenoch:** Are we talking about services trade or goods trade?

Q417 **Chair:** We are talking about general trade—goods trade.

**Kemi Badenoch:** There will always be anomalies because we are a 70%—

Q418 **Chair:** Sorry, we are talking about exports in general.

**Kemi Badenoch:** Yes, we are talking about goods exports.

**Lloyd Russell-Moyle:** And services.

**Chair:** Goods and services, yes.

**Kemi Badenoch:** We are talking about goods and services. The UK is very much oriented towards services. It is a lot harder to capture services trade in the same way that we measure the goods trade.

Q419 **Chair:** So we can expect that to go up in a year or so, so it will be fine.

**Kemi Badenoch:** One of the things I want to do is get the data and find out more. Why is this happening? It cannot just be about leaving the EU; it is not just happening to us. The EU does not have a very simple story.

Q420 **Chair:** Okay, but what is the GDP hit to the UK from leaving the European Union?

**Kemi Badenoch:** Angus, you and I have this conversation—

Q421 **Chair:** It is a simple question. I just want the figure.

**Kemi Badenoch:** I am not going to relitigate Brexit. The fact is that—

**Chair:** It is a 4.9% hit.

**Kemi Badenoch:** We have left the European Union, we have had a global pandemic—

**Chair:** So has everybody else.

**Kemi Badenoch:** We also have a war in Ukraine, which we are leading on. All those things are going to impact GDP, so disentangling which one of those things may or may not be Brexit is not helpful for us to do in this Committee.

Q422 **Chair:** Okay. You said you were not one of those who said that everything was going to be fine immediately, but did you tell people it was going to be worse? UK exports to the EU for companies like DHL have plummeted.



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**Kemi Badenoch:** Like I said, this is something we have done for the long term. We have not said that there are not going to be any changes in the interim. What we are doing is creating an independent trade policy that works for the future and secures the prosperity of the UK. Will there be difficulties because of changes? Yes, all change is difficult. You advocate for Scottish independence, and if you think that leaving the EU is difficult, I assure you that Scotland leaving the UK will have far more of an impact.

Q423 **Chair:** Ireland has done what you talk about there in the last few decades, and it is thriving. Its exports have not been going down.

**Kemi Badenoch:** Ireland still has a very, very close relationship with the UK. That is one of the reasons why it is thriving.

Q424 **Chair:** Thank you, Secretary of State. That is what happens after independence: you have good relations with your neighbours. I will quote that later. There is an elephant in the room here that has to be addressed. We cannot close our eyes to the pay cut the UK has given itself at the time of a cost of living crisis and everything else—over 4.9%. Some say it is 4% and some say it is as high as 8%—between 2% and 8% are the various ranges of the pay cut the UK has given itself. What have trade deals managed to give the UK back from that pay cut? You are the Secretary of State for International Trade, and I cannot let you just brush the Brexit effect to one side. I need to know what your understanding—

**Kemi Badenoch:** Sorry, I do not follow the question. What have trade deals—?

Q425 **Chair:** What have trade deals recouped from that GDP damage that Brexit has done to the UK economy?

**Kemi Badenoch:** Again, let us go back to what a free trade agreement is. A free trade agreement is not trade. A free trade agreement is an opportunity to do more.

Q426 **Chair:** So you are saying nothing.

**Kemi Badenoch:** No, I am not saying nothing.

Q427 **Chair:** I know what a free trade agreement is. I am looking for the figures from that free trade agreement. What have they given? What compensation have they given? You do accept that Brexit damage—

**Kemi Badenoch:** Which specific—

**Chair:** Sorry, Secretary of State—just a second.

**Kemi Badenoch:** I thought you had asked a question. Are you re-asking the question?

Q428 **Chair:** I am asking a question because I need an answer. Secretary of State, the OBR and the Government have come up with the figures of damage to the UK economy from Brexit. I assume that you accept those figures from your Government and the OBR. I am asking you about the



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4%, 4.9%, maybe even 5% damage to the UK economy. What are trade deals doing to recoup that damage that has been done to the UK economy? You are the International Trade Secretary. Can you tell me?

**Kemi Badenoch:** First of all, the figures that you are giving are not ones that I recognise, so I cannot give an immediate rebuttal here. What I would do is refer to the comments that I made before. Trade deals are not a zero-sum tit for tat: we are stopping this and we are going to do that, and everything is going to add up.

We are making a tilt to the Indo-Pacific. Many of the trade deals that you are talking about have not even been done yet. We have not signed the India FTA. We have not acceded to CPTPP. We are barely getting through the Australia trade deal with all of the negativity that we are getting not just on the Floor of the House, but even, as we have heard, in the Committee. I am here to make sure that people understand the opportunities that are there when we create free trade agreements. Those benefits will come. As I have said, we cannot disentangle Brexit from covid and Russia-Ukraine, but there is a lot of good work going on in terms of supporting exports. We have a fantastic story to tell on investment, for example. Those are the things we should be looking at in the round.

I can come back to you when I have the OBR figures. If you want to ask about very specific OBR things, I need you to send me the questions in advance so that I can have those sorts of stats.

Q429 **Chair:** You might not be able to disentangle covid, Brexit and the war in Ukraine, but many other people can. Many professional auditors can, and they can give you figures. The figure I am asking you about is not the news you seemed to get today about the Government's own figures on damage from Brexit. The figures I am asking you about are: what will trade deals yield for the UK? Do you know those figures, or are you negotiating blindly without any knowledge of the GDP gain from these trade deals?

**Kemi Badenoch:** I think what you are asking is a philosophical point.

Q430 **Chair:** No, I am asking for numbers. It's not philosophy; we want numbers.

**Kemi Badenoch:** Well, in that case I challenge the premise of the question. Asking for a number for something that is not a number question will not work. It will not work for this question.

Q431 **Chair:** It is a number question.

**Kemi Badenoch:** I strongly disagree. If that was the case, you would not need to have me here. You could just have a computer program, press a button and get the number.

Q432 **Chair:** So there are no numbers for these free trade agreements? Come on, Secretary of State!

**Kemi Badenoch:** Of course they are going to deliver. We have an independent trade policy that is based on the future. I already talked



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about the Indo-Pacific deal. I talked about where the middle class is coming from. There is a whole world out there. Just looking inward and saying, "There is nothing else happening except the EU" is just not realistic. It is the 21st century. Other countries across the globe are growing. We need to strengthen and build our relationships with them and not pretend that they do not exist.

**Chair:** I would love to continue this discussion on the philosophy of your epic Brexit denial and the effects on the economy, but I cannot because people are waiting for Mr Lloyd Russell-Moyle's contribution. But I am astounded, Secretary of State—literally astounded.

**Q433 Lloyd Russell-Moyle:** Wherever we are trading, there needs to be a great deal more on supporting companies that want to trade and want to grow. In America, the Biden Administration has announced billions of pounds of support and subsidies for growing new businesses from climate change that will end the "America first" sets of policies. The question is really what the strategy of this Government is to build fledgling industries—free trade kills fledgling industries, so I am pleased that you acknowledge that it is not just about free trade. Once they are strong enough, you can let them free in the market of the world.

You signed this deal with Barclays that said it was "an industry-leading 5-year partnership agreement to broaden, deepen and sharpen efforts to drive increased exports and trade and investment opportunities for UK businesses of all sizes". Can you tell us how that fits into that strategy of building businesses in Britain? How much will it cost, and what actually are the indicators of success, not only for the Barclays deal but for your strategy for building trade in Britain?

**Kemi Badenoch:** If it is what I think it is, the deal with Barclays is a partnership agreement with UKEF. UKEF doesn't give the money directly to companies. It uses commercial banks in order to do so. As far as I am aware, that is all that is. It is just supporting—

**Q434 Lloyd Russell-Moyle:** So it is not "an industry-leading 5-year partnership agreement".

**Kemi Badenoch:** It should be. If that is what the Department has said, then yes. But I wasn't the one who signed that deal. What I know from Barclays is the work it does with UKEF. It sponsored expos and so on.

**Q435 Lloyd Russell-Moyle:** I am happy to receive in writing the costs of that partnership agreement, even if it is a zero-cost line, and what the indicators of success would be.

**Kemi Badenoch:** Okay.

**Q436 Lloyd Russell-Moyle:** On the broader question, what is the strategy for building up exports? You have said that the Export Support Service was focused on certain areas, but that wasn't the solution for Japan—you said that earlier on to me. You said that it is not going to be all about new free trade deals and that it is going to be about supporting business. Concretely, what is it that the Department is going to try to do? Where is



it going to intervene and where is it going to support?

**Kemi Badenoch:** The Export Support Service has plans to go global. It has been focused mainly on the EU, and then expanded to Russia, Ukraine and Belarus—just to clarify what it has been doing so far. I know we touched on it earlier. In terms of the export strategy, we have a 12-point plan that targets barriers to trade. We are basically going to look at what the barriers to trade are. Many are not to do with the trade and continuity agreement, but to do with how different countries operationalise that agreement. Greg Hands, for instance, has been meeting Ministers and will continue to do so in equivalent countries. It is almost a stage-by-stage working through, just as we are doing with the US and just as we did with Algeria and Morocco—just basically looking at each individual barrier and picking them off one by one. That is basically what used to happen in the EU, except that we didn't see it. It was just done by other people and it was effectively—

Q437 **Lloyd Russell-Moyle:** Well, we did. We saw 4.5% additional on our GDP.

**Kemi Badenoch:** No, I am talking about the activity that people carried out. Now, that has come out and that is what we are doing and are continuing to do.

Q438 **Lloyd Russell-Moyle:** And the measures of success for that will be increased trade with every partner? Or will it be decreased trade?

**Kemi Badenoch:** The measures of success will be an increase in exports and an increase in investment. Obviously, those things don't happen in a matter of weeks. They happen over economic cycles, which are years, but I think some of the work that we are going to do now will reap benefits in a few years' time.

At the risk of going back to the previous conversation, which I know the Chair was very much enjoying, the fact is we only left properly on 31 January 2020. It is 2022. The full impact of what we are going to see post Brexit and with all of the free trade agreements that we will sign is yet to be seen. Looking at these things now is like looking at the temperature in the morning and saying, "This is what it's going to be for the rest of the day." You can't take a snapshot in time and decide that you know exactly what is going on. It is very dynamic.

**Chair:** I have a piece of housekeeping. We may have votes in the next few minutes. If we do, we will have to suspend and come back.

Q439 **Lloyd Russell-Moyle:** One of our biggest exports is education, for example. You and I went to Sussex University—we are joint alumni—and I am sure we both look fondly back. The university itself is a leader in trade policy; we have regularly had them with us.

Now that I have done my pitch for the local university, my question is about how your Department is concretely engaging with, say, the education sector to support them to get more students to come to the UK and to open up more campuses around the world. You do not have a trade advisory group for them. The Export Support Service helpline is focused



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on goods, and you have said that over 70% of our economy is a services economy. How are your interventions focused on supporting those leading service areas?

**Kemi Badenoch:** It is a really good question. The DFE leads on this. Education is actually one of our biggest exports—I think it might be the biggest—but it is a DFE lead. How do we offer support? It is through investment in particular. We are basically the Department that gets the money from the private sector and investment in R&D, in a lot of high-intensity and risk research areas, is probably primarily the way that we support that.

We would also do it when it comes to informing the Home Office about mobility requirements. Within FTAs, and sometimes in separate agreements, we know what will support our businesses, because we know what they are asking for. Again, we make representations across Whitehall internally.

**Chair:** We will just carry on. A colleague of yours from Sussex is speaking in the Chamber at the moment, Mr Russell-Moyle. We will keep going, because we are enjoying the afternoon. I am reluctant to end things, because I am sure millions of viewers are poised at home watching this waiting for the next words from Mark Garnier.

**Kemi Badenoch:** Can I ask how many more questions there will be? Can we stay and finish it? Or will it be half an hour?

**Chair:** We just need a half hour after the votes. I think that will be fine.

**Kemi Badenoch:** The reason I ask is because I need to sign the UK-Ukraine digital agreement soon. That is something to bear in mind. I am sure my office will do what it can.

Q440 **Mark Garnier:** Why don't we crack on? I have some questions about the UK tradeshow programme. As you know, we went out on #AskKemi and 40 businesses came back, with a number of them being worried about the new version of the programme. The specific concern was that you had to have a £250,000 minimum turnover for eligibility to receive grants from the new UKTP. Why can't that be made available to all businesses?

**Kemi Badenoch:** I do not actually think it would be suitable for all businesses. We have different programmes for different-sized businesses. Things like export champions and export academies would be targeted towards SMEs. The tradeshow programme is for companies that are a bit bigger, and then there is UK Export Finance for those at the other end. If we did do that, we would end up in a situation like that with the Export Support Service, where we are spending a lot of money but probably not getting bang for our buck. That is the way it is.

As this was an external question that came from businesses, I say to those that are watching that if they contact DIT, there is so much that we can do. I have been going around the country—I talked about Edinburgh and Wales, but also Leicestershire and Northamptonshire—meeting businesses.





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Each time I am there, I am there with DIT officials who are based around the country and who provide that support to businesses across the UK. This is not just about tradeshows. We can help with them, but for those companies that do not fit into that category, there is a lot more we can do, and we are trying to get that out.

Q441 **Mark Garnier:** A lot of the businesses that we meet talk about how other countries have big pavilions with lots of effort going into tradeshows. Their general complaint is that we tend to be rather lacklustre in what we put on as UK plc. Is there not a case for trying to build a really big presence for the UK at some of these tradeshows? I know there are a lot of them—more than people imagine—but is there a case for doing a lot more?

**Kemi Badenoch:** There is, and we do want to do a lot more trade promotion in our export strategy. That is something we are actively working on at the moment, and hopefully businesses will be able to see the results of that in due course.

Q442 **Mark Garnier:** To go back to your advisers around the country who are helping businesses, how are they incentivised to acquire more potential customers in terms of helping businesses to become first-time exporters?

**Kemi Badenoch:** Some of it comes from leads—recommendations from other people who have worked with them.

**Mark Garnier:** So it is responding to—

**Kemi Badenoch:** Yes. There is word of mouth, and MPs actually do quite a lot of referring. We get correspondence, and they do research. At one of the visits I did, someone from the local enterprise partnership was there, so they work with local councils. There is a lot of local knowledge, and they work with stakeholders to get the information.

Q443 **Mark Garnier:** What do reckon the ratio between being proactive and reactive is?

**Kemi Badenoch:** That I do not know, but I would like to think that they are being proactive.

**Mark Garnier:** Maybe if they were more proactive, we would not have gone down by 14%. It is an important point.

**Kemi Badenoch:** It sounds like you are speaking from experience. I will find out and see what we can do, if they are not being proactive, in order to push in that direction.

Q444 **Mark Garnier:** It may be the solution to that 14%.

Finally, we had a look at the UK pavilion at the Dubai Expo; I do not know whether you had a chance to see it.

**Kemi Badenoch:** Oh yes, I think this was another external question.

**Mark Garnier:** I think “mixed reviews” was one way of describing it. That





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is more of an expo type of thing, but are we doing well where we do spend the money? Do we think we are getting the best bang for our buck?

**Kemi Badenoch:** I think so. When I have spoken to business who have been at the trade shows, they have nothing but praise for DIT. I do not have an exact figure for, "In these expos we put £1 in and we get £1.50 out," but the qualitative feedback that I have heard is good. I think with some of these world expos it is less about the immediate economics and more about country relations and the promotion of tourism, which is separate from DIT's main focus. There is a lot more going on beyond just the trade.

**Mark Garnier:** Fantastic.

Q445 **Martin Vickers:** One of your recent quotes, Secretary of State, was: "Trade deals are like the motorway"—if no one makes use of them, "you might as well not have built them." What will you do to help businesses to take advantage of these trade agreements? You have already commented on quite a bit of what the Department does, but what is there specifically for, say, an SME that is looking to move into the export market?

**Kemi Badenoch:** I talked about the Export Support Service, which is often navigating issues rather than learning. I have also mentioned the export academies and export champions. We have an international network of HMTCs—the trade commissioners who sit within the embassies—and they are phenomenal in terms of knowing what is going on in the local market, identifying partners and telling people, "This is where there is demand for your product." One of the things that people do not know is that there is demand for what they are selling elsewhere in the UK, so matching those two things up is one of the great things that the trade commissioners do.

Again, for the larger companies UKEF is doing quite a lot of work in terms of facilitating finance for those companies that want to expand and to export. There is an internationalisation fund. I do not know too much about that, but it was on the list of things that the Department told me it was doing.

Finally, with the "Made in the UK, Sold to the World" campaign we have been really good at showing how lots of businesses are getting to all the far corners of the earth. That has been a very active promotional and marketing exercise by DIT. It is everywhere in all the offices across the country and all the staff know about it and continually push it out.

**Martin Vickers:** With that, I will also go to the IPU, because I am standing for election as well.

**Chair:** Oh, I did not see your name on it. You were No. 2. If it is not Mr Menzies at No. 1, folks, it is Mr Vickers at No. 1.

Q446 **Mick Whitley:** Secretary of State, this question is about the ECT. The most popular topic in questions submitted by the public was the Energy



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Charter Treaty. Attempts to modernise the treaty so that it cannot be used by fossil-fuel interests to block action on climate change have failed. Seven EU member states have now signalled their intention to leave the ECT, and last week the European Parliament adopted a resolution calling on the European Commission to initiate a co-ordinated exit of the EU from the ECT. Why doesn't the UK now join the seven countries that have quit the ECT?

**Kemi Badenoch:** First of all, can I just say thank you? I think this was an #AskKemi question. This was an area that I had not actually heard of within the Department, so I got some answers. The first one is that it falls under BEIS, which is one of the reasons why I have not come into contact with it very much. My understanding is that it provides energy investors with protection from arbitrary or discriminatory treatment—the dispute settlement. In terms of the stance on the ECT, my understanding is that there was a programme of modernisation negotiations in June, and it was just to get it to align with modern-day international treaty practice. We had a conference on 22 November, and the decision to adopt was postponed—that is as much as I can say. It looks like we are monitoring the situation and the process is still ongoing, but it is a BEIS lead, so I did not have any further information on that.

Q447 **Mick Whitley:** Okay. I have a supplementary question. The UK Government seems reluctant to allow Parliament to scrutinise the terms of the treaty in the same way that the European countries are able to do. An explanatory memorandum outlining the Government's view about the consistency of the Energy Charter Treaty modernisation with the Paris agreement is being prepared, but currently it will only be published at the start of the CRaG process, giving MPs just 21 days to assess the deal before it passes without a vote. This is a hugely complex and multifaceted issue, so why isn't the Government's analysis being made accessible to MPs now, before its application, to allow Parliament a say on how to proceed?

**Kemi Badenoch:** I think BEIS will have heard that question, so we will ask them if they can provide a response on the scrutiny of that. But from our perspective, we do not look after the treaty, so it would not be right for me to make a statement here without understanding where the BEIS Secretary of State stood.

Q448 **Chair:** Secretary of State, on the day of the general debate on the New Zealand and Australia trade deals, I am told by some trade bodies and trade groups that the director-general for trade was soliciting for support the trade deals on Twitter and social media. Is this acceptable?

**Kemi Badenoch:** So a director-general in my Department was soliciting—

**Chair:** The director-general for trade was going around asking companies and organisations to tweet support for the trade deals during the debate, I have been reliably informed by a trade body.

**Kemi Badenoch:** Have you heard about this before?



**Crawford Falconer:** I am not aware of it, no.

Q449 **Chair:** Whether you have heard of it or not, is it acceptable?

**Kemi Badenoch:** I think it is the job of politicians to do that, so I will find out and investigate.

Q450 **Chair:** Is it the job of the director-general for trade to go around asking companies to tweet during a parliamentary debate?

**Kemi Badenoch:** Given that I have not had the details of this allegation, I don't want to make any comment without finding out exactly what happened.

Q451 **Chair:** But in general, in future, if there was a debate, would you see it as acceptable for civil servants to encourage companies to tweet certain views during a parliamentary debate? It is a fairly simple principle.

**Kemi Badenoch:** Certainly, given that the civil service is there to deliver Government policy impartially, I would need to look at the specifics of how this was done and in what way, and I don't have that. Obviously, civil servants have to abide by the code and remain impartial. If I can see the details of exactly what happened, I will be able to adjudicate.

Q452 **Lloyd Russell-Moyle:** I just want to go back to the ECT. You gave a good answer about it being another Department's responsibility, but the real reason that all those countries are withdrawing—we are now the only major economy standing in the ECT—is because ISDS is becoming a poisoned chalice that is harming their ability to implement climate change measures and to divest out of Russia. The ECT was created to give protection to our companies that are investing in Russia, and now it is coming back to bite European countries.

ISDS has not been included in any of our trade deals so far, but the Japan trade deal allows ISDS to be inserted if we agree to have ISDS in any other bilateral agreement. New Zealand agreed opt-outs of ISDS on CPTPP through side notes, because they understood that ISDS is currently not an open and fair process in many trade deals. What is your view on ISDS, and will you be a little bit more cautious than some people—of all flavours of Government, not just Conservative—have been in the past on how ISDS can come back and bite you in the future?

**Kemi Badenoch:** My understanding is that we have over 90 different agreements that have ISDS in them. The Energy Charter Treaty is just one of them, and actually we have never had a successful ISDS claim brought against the UK, so my view is that we need to make sure, especially in international arbitration, that we are looking after UK companies. That is critical. We cannot allow a situation where our companies face—you said it very early on in the Committee—uncertainty. Providing certainty and making sure that there is fairness has to be at the heart of it.

If there is a specific issue around a sector that we think the ISDS is not working for—for instance, fossil fuels—that is something that I would be looking to discuss with whichever Secretary of State was most relevant for



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that sector, but the principle of what ISDS is there to do I think is right. I do not think that a free trade agreement is always the right place for it to be present, which is why we have not seen that so far. It may be in the future, but I will be looking at that on a case-by-case basis. At the moment, I will be supporting the status quo until there is new information.

**Q453 Lloyd Russell-Moyle:** The status quo, which is not to have an ISDS in future trade deals, because we have not put them so far in any of the other ones.

**Kemi Badenoch:** The status quo being withdrawing from one ISDS, like the Energy Charter Treaty, without further understanding of what the implication would be—

**Q454 Lloyd Russell-Moyle:** Has the Department done any analysis of the long-term benefits of ISDS versus the risk?

**Kemi Badenoch:** Have we?

**Crawford Falconer:** Yes.

**Q455 Lloyd Russell-Moyle:** Is that something that can be published?

**Crawford Falconer:** Certainly some of that information can be made available. Published sounds rather grand, but we can certainly provide such information as the use that has been made of it. I can give you one example right now.

**Q456 Chair:** Sorry—we do not have much time. Secretary of State, a question has come from business. I have two quick questions that I hope we can get through before the bell goes, and then we can finish. The new US semiconductor and advanced computing export controls have far-reaching effects on UK interests, especially for those connected into US supply chain relationships. The question is really what the DIT's UK Government response is. Is it working with the US, and possibly the EU, on the implications, and when will the Government come forward with a policy response to provide certainty to businesses involved in this area?

**Kemi Badenoch:** This is the Inflation Reduction Act provision.

**Chair:** I think it must be, yes.

**Kemi Badenoch:** Well, it is a very protectionist measure from our perspective. We are a free trading nation, and we understand some of the geopolitical reasons this is happening. On the surface, it is to benefit the US, but it is also about China.

**Q457 Chair:** So it is on your radar screen.

**Kemi Badenoch:** Yes, absolutely. I spoke to counterparts in the US specifically about it.

**Q458 Chair:** Finally, the DIT's trade modelling review expert panel published its report and recommendations 10 months ago. The DIT still hasn't published its response, although the panel's deliberations informed the



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impact assessments for the trade agreements with New Zealand and Australia. When will the Department publish its response?

**Kemi Badenoch:** What was the name of the report?

**Chair:** The DIT's trade modelling review expert panel published its report—

**Kemi Badenoch:** On trade modelling. We are implementing the recommendations, so I think that we will publish something in due course.

Q459 **Chair:** "In due course." I have heard that many times in this Committee, Secretary of State.

**Kemi Badenoch:** I have heard of the report, but—

**Chair:** Mr Whitley heard "in due course" with the unions from the last Secretary of State.

**Kemi Badenoch:** I will pick that up, but I think the recommendations are being implemented, because this was an internally commissioned modelling review, if I remember correctly.

**Chair:** "In due course" is usually six weeks, we feel in this Committee, so we will take "in due course" to mean six weeks.

**Kemi Badenoch:** Those are your words, not mine.

**Mark Garnier:** How long is "imminent"?

**Chair:** Imminent is about any minute now. Secretary of State, we have run out of time. We could have had more, but we understand the flexibility required in Parliament. We wish you well in your role.

**Kemi Badenoch:** Thank you.

Q460 **Chair:** Thank you for coming today. We hope that the flexibility that we demonstrated towards you is an act of good will. I think you would have been flexible enough to come back if required after the votes.

**Kemi Badenoch:** Yes.

Q461 **Chair:** I hope that it is not too long before we see you again.

**Kemi Badenoch:** This time next week?

**Chair:** It has been very enjoyable. I am looking anxiously at my staff, and they are nodding, Secretary of State. We will see you this time next week. No, it will probably be in the next couple of months—three months maximum. Will we have a commitment on that?

**Kemi Badenoch:** Yes, as long as we can have some choice on the dates, because of the travel schedule.

**Chair:** Indeed. We will arrange a date within the next three months.

**Kemi Badenoch:** Yes, I am very happy to come back to the Committee.



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**Chair:** We can maybe get one in due course—plus six weeks. Thank you.