



International Agreements Committee

Uncorrected oral evidence: Ministerial evidence

Tuesday 13 December 2022

4 pm

Watch the meeting

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

Evidence Session No. 2

Heard in Public

Questions 15 - 22

Witness

I: Rt Hon Greg Hands MP, Minister for Trade Policy, DIT.

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Examination of witness

Greg Hands.

Q15 **The Chair:** Welcome, Minister, to this meeting of the International Agreements Committee. By way of background, I will say a couple of things before we start.

As you know, this is a public session. It is being broadcast and there will be a transcript, which you will get a chance to see. It will not enable you to change what you say but to correct any impressions that we do not get quite right. My colleagues will introduce themselves as they ask questions, rather than going round at this stage. It is possible that we have divisible business in the House at the moment, so if a Division is called, we will recess for 10 minutes to allow Members to vote, and reconvene after that.

Greg Hands: If I may say so, Baroness Hayter, we have the same issue at our end, although I am not expecting votes before the end of this meeting. Given that the annunciator is behind me, could I ask you to do me a favour and tell me if you see a Commons vote?

The Chair: Well, that depends.

Greg Hands: Thank you.

The Chair: Minister, as we know, you are the Minister for Trade Policy at the Department for International Trade and you are particularly experienced in that role, so we are delighted that you are sparing us the time to come today. I do not think you will be surprised by the first question I put to you because I think you have followed the work of this committee quite carefully and you know that we have, on more than one occasion, recommended that the Government publish an overall trade policy or strategy showing how they see trade fitting into their domestic, defence, foreign affairs and environment objectives.

As you know from our reports, we think this would be helpful in how we assess the trade agreements that come our way. We have recently held two round tables, one with business and one with other groups, such as environment organisations and trade unions, and they feel much the same: they would find it helpful. You have probably seen that techUK is looking at the digital side.

We are really interested to know whether you are moving towards a coherent strategy and, if so, what it might look like.

Greg Hands: Thank you, Baroness Hayter, and I thank the committee for giving me this opportunity. I have not appeared before you since I returned to the department in October. Long observers will know that this is the third time I have been at the Department for International Trade. I was at the department at its inception, in summer 2016, through to 2018, again in 2020 through to 2021 for about two years, and then for

just the last three months. It is great to be back in front of the committee.

To answer your question, I am not convinced of the need for such a strategy document. I am convinced that our strategy is clear for all to see and has not fundamentally changed in the six and a half years that I have been involved in the department. The strategy is to boost trade through all available means. Occasionally, you get a slightly different emphasis. The current Secretary of State is emphasising that trade is about much more than free trade agreements. That is quite right in terms of making sure that we make proper use of our export capabilities, UK Export Finance and market access barriers. A lot can be done beyond free trade agreements.

On the question of where the strategy is at the moment, the Secretary of State made an excellent speech on 14 November at the Cato Institute in Washington that continued a lot of the themes we have had at DIT. Of course, a lot of other government documents refer to trade; cross-cutting government documents typically have significant references to trade and DIT. Setting out a strategy in relation to FTAs is generally not a good idea. It has the potential to show our trading and negotiating partners where we think the most desirable gains for the UK are, and would run the risk of revealing too many of our negotiation objectives across a set of potential negotiations.

I am not convinced that there is a problem to be solved in people understanding what the Government's trade strategy is. It is clearly visible from repeated statements by the whole department and by successive Secretaries of State, in particular the latest Secretary of State, Kemi Badenoch, in her Cato Institute speech.

The danger of such a strategy is that it might reveal too much of what we are trying to get out of individual negotiations or a collective set of negotiations. You probably know that we are negotiating with more counterparts than anybody else in the world at the moment. We have seven active negotiations. If I were to lay out a strategy that we will prioritise this or the other or perhaps deprioritise something else, it might be of some use to our seven negotiation counterparts, or indeed others.

That is broadly my view. I am always open-minded on these kinds of things, as is, I am sure, the Secretary of State, but our view at the moment is that we do not think that such a strategy, at least as you describe it, would be helpful.

The Chair: The good news is that you and the Secretary of State are open-minded about it. We were not thinking that it would cover the detail of each agreement but a much more holistic approach. For example, we have been looking at the potential India agreement, which I know is now delayed but was pursued at a time when that country was not quite falling in line with the Government's very important objectives on Ukraine. We are therefore interested in whether the idea of just boosting trade has any limits and whether you set down anything broader than

that. We have looked at America and New Zealand, which both do that.

Maybe our wording is not right, but I wonder whether putting all those speeches that you say lay out what you want from trade into a single framework document might be of assistance.

Greg Hands: We are not behind on the India negotiation; we said that we would do the majority of the negotiation by the end of October, and we have more or less completed 16 chapters. Obviously, the whole agreement is not agreed until everything is agreed, but we have been true to our pledge to complete the majority of chapters on the India deal by the end of October.

On the wider question, the Government set out a series of documents and strategies, such as the integrated review, the documents in relation to the Indo-Pacific tilt and the Foreign Secretary's very wide-ranging speech this week. Trade is very much part of those wider government documents. I think what you are looking for is already out there.

I have looked at what others are doing in this space. The EU publishes a trade review, which is generally backward looking but includes some very high-level elements of what it is looking to do. New Zealand has its *Trade for All Agenda*, which sets out some key principles, but I do not think it is fundamentally different from what Damien O'Connor, the New Zealand Trade Minister, would say in a speech. I have had a look at the US strategic plan, which has five broad goals, and other things. They are very high-level and, to be honest, not fundamentally that different from what you would read from our Secretary of State in her Cato Institute speech.

Lord Lansley: I want to come on to a specific example and see whether setting out the principles is important for understanding what the Government's objectives are in their trade negotiations. Sticking with the New Zealand example for a moment, the FTA agreed with us was probably its first such agreement since it published *Trade for All*. From your point of view, the fact that it had published *Trade for All* did not disclose its negotiating hand; it did not prejudice its negotiating position at all.

Greg Hands: I would have to go back, because we did the New Zealand deal during one of the stints when I was not at the department, so I cannot tell you specifically whether the New Zealand *Trade for All* document fed into our understanding for those talks, but I have not heard of that being the case. I have not heard anybody saying, "The New Zealanders set out this document. This is where all the answers are", or indeed the opposite.

Lord Lansley: Looking at the New Zealanders' own parliamentary debates, we can be fairly confident that they did not regard it as an unsatisfactory outcome to the negotiations but a very good one. The *Trade for All* document did not prejudice their negotiating position. Unless I am missing something, we are talking about something comparable to

the *Trade for All* document in New Zealand.

We have looked at the Government's negotiating objectives—India is pretty much a case in point—to see what the Government are looking for in terms of investor protection. Does it extend to investor-state dispute settlement and, if it does, what form might that take? In general, we might then look back and ask: what is the Government's overall approach to investor protection? Are we in favour of investor-state dispute settlement or not? The Government do not tell us. Should you not tell us, so that we can at least judge whether these negotiations are leading to a satisfactory outcome?

Greg Hands: To be absolutely clear, in the UK we are comfortable with having ISDS provisions. We have never lost a case of ISDS, and we have never been forced to change our domestic regulations as a result of an actual or threatened ISDS case, so we go into this without any fear of ISDS.

If we set out with the goal of having ISDS in each individual negotiation, we would in effect be setting out at the beginning what our objective is. The UK would be seen as a demandeur if we were to set out in our objectives that we were seeking ISDS with a particular counterpart.

Of course, one finds that different counterparts change their view on ISDS as well. For example, Australia has turned rather against it. New Zealand, which you cited, has turned against it, having been rather in favour of it. Looking at the panoply of counterparts, it is a moveable feast.

Lord Lansley: Minister, you are kind of illustrating the point. We know where we stand. To declare an interest, I am chair of the UK-Japan 21st Century Group. The Japanese make no bones about it: they are in favour of investor-state dispute settlement.

When we come to the CPTPP, my expectation is that we will want to sign up for it, but we will have to have side letters with Australia and New Zealand to exclude it in relation to them because of their stated position on ISDS. They have stated positions, but we apparently do not. You say that we are in favour of it, but there is nothing in the speeches that have been made or the answers we have been given that tells us whether the Government seek ISDS in negotiations. India is a case in point. Given the history of investment difficulties in India, is it not the case, as our report said, that we should have independent and enforceable investor protection as an objective?

Greg Hands: It will depend a lot on who your counterpart is, how developed they are and what other provisions we may already have in place. For example, there may be a bilateral investment treaty between the UK and that country. Of course, the CPTPP is another, very different case; we are effectively negotiating to join an existing agreement, rather than having a free trade agreement negotiation, so the agreement as it

stands would be the norm as to what one would be expecting to accede to.

Obviously, there is a live negotiation on the CPTPP; in fact, we had a negotiation round just this past week. It is difficult for me to talk about the specifics of a live negotiation on the CPTPP, but I hope that I am getting across that whether the UK is in favour of or against ISDS is not a straightforward question. It will very much depend on the type of counterpart, the existing investment landscape, what existing provision there is and what type of agreement we are talking about, whether it is a plurilateral or bilateral agreement.

Lord Kerr of Kinlochard: Can I take you back to your answer to the Chair's question about publishing a trade strategy document? I see three advantages. One is internal. I speak as an ex-public servant. It might help to take the heat out of internal interdepartmental debate if there was an agreed text that all Whitehall had signed up to. It would not put an end to internal debate, but it might assist a satisfactory resolution and reduce the number of debates.

The second advantage is external. As an ex-ambassador in Washington, I have to say that the US negotiators make use of the annual USTR report, which is both backward looking and forward looking. The US negotiators make use of the extraordinary transparency there is on the Hill compared to our practice. As a negotiator, one runs up against the objection, "You may win the argument, but we cannot give you what you are asking for because the Hill would never allow it", and they show you the document that has been to the Hill and the document that has come back from it.

The third argument is improving the quality of public debate. If the discussion about trade agreements simply consists of the Government saying, "Fantastic deal", "Best possible deal", "Wonderful outcome", and various lobbies saying, "Hang on, there's nothing about X", there is no rationale that the Government can look back on and say, "Yes, of course, we did try X, but we settled for a compromise because we thought it really important to get Y". Accepting that not all outcomes are optimal and that there will always be some kind of compromise is a good thing for having a deeper public debate.

I hope your mind really is open, Minister. It is an idea that will not go away, and I think it would actually be helpful to the Government internally, to their negotiators and to the debate with the public.

Greg Hands: You make some very good points. Let me try to give you my view on each of them. First, on taking the heat out of the internal governmental debate, I think I am right in saying that in my time in the department I have not heard of any other government departments saying, "What we need is a published trade strategy". I may be wrong—I have not followed every single utterance by other government departments or Ministers.

What I have heard is that government departments are interested in greater co-operation and exchange of information and being involved more in negotiations. That is why I have a ministerial trade group where I meet with the key Ministers on a pretty frequent basis—most typically, Defra, DCMS, HMT and BEIS would be the ones most involved—to make sure that I can update them on where the various negotiations are and to listen to their perspectives. You raise a very good point about internal debate, but a better way to do it is through internal engagement where I can give them much more of a live view on current negotiations, which, clearly, I would not be able to do in a trade strategy document.

Secondly, on the USTR, as you know better than anybody, the US has a fundamentally very different system, particularly when it comes to trade, the executive agency of the USTR and its interactions with Capitol Hill, the different mandate systems and so on. I would prefer us to look at what more comparable Westminster-style democracies do, such as Canada, Australia and New Zealand. We have already referred to the New Zealand document. They probably provide a better assessment of where the UK should be.

Thirdly, I agree 100% on improving the quality of public debate. It is a challenge for all of us to improve the quality of public debate around trade. By the way, that is not unique to the UK. If you take us back seven or eight years to the row about TTIP, British public opinion was no worse or better informed than public opinion in many European countries. Without going off on too much of a sidetrack, I went to a CDU party conference one year and heard Angela Merkel making a speech about how she was amazed that the biggest demonstration in Germany that year was not against Vladimir Putin, Iran or al-Assad in Syria, but against chlorinated chicken and the potential hazards of TTIP.

I share absolutely the desire to have an improved public debate. You described it as the desire to compromise, Lord Kerr, and of course as a career diplomat you will understand this better than anybody; it is a negotiation, and there will inevitably have to be compromises. One of the fears we might have about such a strategy document would be laying out in advance where we think the UK would be more likely to make those compromises than elsewhere. My fear is that with such a strategy document it might be misinterpreted or misconstrued as to where the priorities for the UK are going forward in a negotiation. That is the bit that I do not share. I absolutely share the desire for better public debate and public information.

The Chair: I am going to turn to one of my colleagues, but I will make one comment. Regarding what you just said about your ministerial group, in one sense, the group outside that is Parliament. The committee takes that quite seriously; there is an awful lot of stuff happening within government, but because there is no published document—maybe it has to be a document that is shared more—Parliament is not involved either in the mandate writing or in the discussion of that strategy.

Greg Hands: If you do not mind me saying, that is a rather different topic. I think Lord Kerr was asking me about intergovernmental discussions.

As regards parliamentary scrutiny, I am sure you have had my predecessors and recently the Secretary of State in to discuss this. We are confident that our system of parliamentary scrutiny is good and robust, and that how we do it at least matches other Westminster-style democracies. The publication of WMSs after each negotiation round, the publication of the debate on the negotiation objectives, the publication of the impact assessments and the involvement of your committee and the International Trade Committee all stand up among the best practice of other Westminster-style democracies in that regard.

The Chair: We may have to agree to differ on that. I turn to Lord Grimstone, who was, if not one of your predecessors, certainly highly involved in all this.

Greg Hands: He was a former colleague rather than a predecessor.

Q16 **Lord Grimstone of Boscobel:** First, Minister, I congratulate you on your return to the department. To have someone of your experience and knowledge there is of great benefit to the department, and indeed to us. Before we move away from general questions about trade policy, can I probe a little bit as to whether you think we are trying to do too much with free trade agreements?

The UK-Australia agreement runs, as you know, to 32 chapters. In a sense, we see mission creep in this. I have referred previously to the risk that free trade agreements become almost like Christmas trees where lots of interest groups want to hang things on them, some of them having very little to do with trade or economic activities. This does not directly relate to whether a trade policy should be published or not, but you can see that it has some implications for it. Do you feel at all that there is a risk that FTAs may be losing their economic focus, which we would probably feel is their key requirement? Are we getting into areas that are not well suited to FTAs? They occupy negotiating time, and one ends up with chapters that on the title sound useful but in practice contain very little. I would very much welcome your views on that.

Greg Hands: Thank you, Lord Grimstone, and thank you for your congratulations, as someone who knows the department almost as well as I do.

It is a very good question, and very fairly put. I have a certain amount of sympathy with it. I know the previous outgoing Australian Government had the rather purist view that the trade agreement should be only about trade. When you are doing a negotiation, of course you have to work with your negotiating partner. There is really no point if the negotiating partner simply says, "We're not going to do this". We can persuade and ask but, ultimately, if you want to get a deal done you need to negotiate and compromise. Where I would disagree is on whether some of these things are not important for economic gain.

I will give you three brief examples. There is a phrase in trade policy, “non-trade issues but trade issues”, or something like that, and they can actually be very important for trade. Climate is a very good example. The climate provisions that we have written into the Australia deal, and particularly the New Zealand deal, are some of the world’s most advanced and will really make a difference on the trade side.

Women’s economic empowerment can certainly make a big difference to GDP if we have equality of access, particularly making sure that trade deals pay heed to the need to economically empower women. Only a tiny percentage of government procurement across the world goes to female-owned businesses. Making reference to that can add real value to the UK.

Although I do not want to go down a cul-de-sac on animal welfare, the animal welfare chapter in the UK-Australia deal was quite important to help sell that deal to some people who might have been sceptical about Australian animal welfare practices. That we have an animal welfare chapter in the deal means that neither side can use weaker animal welfare provisions to gain a trade advantage. That is broadly what that part of the deal says.

For some of these things, yes, there can be a danger of loading everything into it, and some things might be dealt with more appropriately in a different way, but some of them can actually add economic value.

Lord Grimstone of Boscobel: One of the related worries is that we may be raising the hopes and aspirations of the public that trade agreements will make progress in these areas, and when they do not or just do it superficially, in a sense, that may dent the public view of them. I take your point, but I think it is something that we should watch at the margin for the benefit of the trade negotiators as well as for the benefit of educating people as to what trade agreements are for.

Greg Hands: It is a fair area of debate. Ultimately, it is shades of grey. Some things probably have a bit more direct trade impact than others. The examples I gave are probably more direct. There will sometimes be reasons why you put things in to help move the negotiation forward or better sell the deal, or they may be of economic value in their own right. I guess that is the point. You would want a case-by-case approach in many of these things.

Q17 **Lord Watts:** Minister, I apologise for being late. I will go back to some of the issues that have already been raised to try to find out what the Government’s position is. You talked about the way America scrutinises trade deals and you talked about Australia, but what about the EU? The EU seems to us to be far more open and transparent with its Parliament than we are. We would be interested to know your view about that.

The other thing about a trade strategy is that without one we are not quite sure what the aims and objectives of a trade deal are. With the Indian one, we raised a number of issues that we believed would be

discussed in trade deals but were not, and it worries us that important issues will be missed unless there is some trade strategy and a clear understanding about what the negotiators you send over to India and other places are negotiating. It seemed to us that there was a mismatch between what Parliament would view as the priorities and what the negotiators were under instruction to deliver.

Greg Hands: Let me try to deal with both those points. Obviously, the EU has a very different structure from us. Essentially, trade policy is a Brussels competence, but member states need to be satisfied that the trade deal will work for them. In the case of mixed agreements, member state Parliaments can have a vote on the deal. It has a rather different and more varied set of stakeholders. Its document *Trade Policy Review: An Open, Sustainable and Assertive Trade Policy* is still, none the less, quite high level. It lays out very general aims.

It has six overall aims: first, to reform the WTO; secondly, to support green transition; thirdly, digital transition; fourthly, to strengthen the EU's regulatory impact. To be frank, those are all things that you would read in our Secretary of State's policy speeches. They are not fundamentally different from what you would find in our Secretary of State's Cato Institute speech in particular. The difference might be in any perception that our peer group lay out in advance what their overall objectives from a set of free trade agreements might be. That is not well advised in a negotiation context.

In terms of India and the details of things that will and will not be discussed, we have set out our negotiation objectives—your committee did quite a comprehensive report on them, which the Government responded to on 18 October just after I joined the department. We are in the process of doing various responses; we respond to such reports and we publish our negotiation objectives. Obviously, it would be ill-advised for us to state too clearly in the negotiation objectives where the compromises, trade-offs, higher priorities and lower priorities would be, but we scope out what the potential of a trade agreement might be. In the case of India, we would lay out that the very high tariffs can be barriers to market access for key UK service industries such as legal and accountancy, but we do not state in that document: "We will compromise here if we can get something over there". That would be a mistake.

Lord Watts: Going back to the European Parliament, that may be true but, during the course of those negotiations, as we understand it, it gets reports on a regular basis about what the latest position is, what is happening and what is being discussed. That seems to us a far more open and transparent way of dealing with Parliament. We do not seem to have the same openness.

Greg Hands: After each round of negotiations we publish a WMS, and there is the ability to have debates. I think in the Lords you have had quite a few debates on current negotiations, negotiation objectives or trade with individual countries, and that is something I warmly applaud and welcome. Here at Westminster, we have that ability to debate a set

of negotiation objectives, and we publish a regular WMS after each round of negotiation, which can come quite frequently, especially as we are effectively doing seven negotiations at once at the moment. That is quite a lot of negotiations to feed back information on.

The Chair: We may not be that far apart. If there is a government speech you say is almost a policy, the only difference is that it is not presented to and debated in Parliament. That is where the lack of grip may be.

Lord Morris of Aberavon: May I raise a specific question on supply chain sustainability? Has there been a study of long supply chains spanning many countries and liable to be interrupted by political considerations? With medication in particular, have we learned lessons from the pandemic or would it be unkind to say that there are no policies?

Greg Hands: That was thrown very sharply into focus during the pandemic, and it launched a lot of quite major work led by No. 10 through 2020 and 2021 looking at supply chains, economic vulnerabilities and overconcentrations. I do not think anybody will forget—I was at the DIT at the time, in Easter 2020—the overdependence, not just of this country but pretty much every western country, on China when it came to PPE and the efforts being made to diversify our sources of PPE through countries such as Turkey, Egypt, Malaysia and Taiwan. There are a lot of early lessons from the pandemic, so you are right to point to it.

More broadly, the Government are very much looking at critical minerals and supply chains. We published our critical minerals strategy this summer, through BEIS. There is a lot of government work going on. We are not the only people doing that work. Every western country, even smaller ones, is doing strategies like that, and that is to be warmly welcomed. The more we can all diversify our sources of supply among each other, among freedom-loving, liberal western democracies, the better. For example, Taiwan is a huge part of the global semiconductor business, and has been very successful. I was in Taipei about six weeks ago to launch a semiconductor dialogue looking at UK capability. In Wales, we have great capability in semiconductors; we have the Compound Semiconductor Applications Catapult in Newport. That is something we can bring to the table in a discussion with a like-minded democracy such as Taiwan.

Where I think the UK might have a slightly different approach compared to some is that we do not see the answer as onshoring, or at least not onshoring the majority of things we do. Having a domestic UK capability is very helpful but, ultimately, the answer will be having a more diverse set of sources and a more diverse set of countries and counterparts from which we can source either that raw material or advanced produced material, or that service.

A lot of work has been going on right the way across government, particularly in the last three years, since the start of the pandemic and

since the rise of states—I have not even mentioned Russia yet—that simply are breaking all international norms, or have the potential to do so. That has brought that work very sharply into focus.

Q18 **Baroness Liddell of Coatdyke:** Minister, I was a bit taken aback when you started talking about the advances that there had been in the discussions with Australia on things such as animal welfare and climate, because if you saw our mailbag from the agricultural community, they certainly do not think that you have made good progress on that. We have issues around the live transportation of animals, mulesing and chemical intervention with animals. The agricultural community in this country is very loquacious about that side of it. On climate, the deal with Australia was done with a climate-sceptic Government—the Morrison Government. There is now a new Government who are much less on the side of the climate sceptics; they are on the side of the adoption of measures to deal with climate change.

We asked your department some time ago if these issues would be taken up in the joint committee that arises from the free trade agreement, but we got a very typical Civil Service reply. Having occasionally signed off Civil Service replies, I am not criticising it. Will you do something about the animal welfare and climate issues, given that there is a change of government and you have the opportunity with the joint committee?

Greg Hands: There is a lot in those questions. First, of course, we have an animal welfare chapter in the UK-Australia trade deal—that neither side will regress on animal welfare to gain a trade advantage. It is not my job to be a spokesperson for the Australian Government, but they go out of their way to say to people that their animal welfare standards are very high. They cite the fact that they ban foie gras, which is not banned in the EU and not currently banned in the UK due to rolled-over EU regulations.

If you had before you the Australian Minister, I promise you that he would take exception to any kind of assertion that Australia has weaker standards on animal welfare. It undoubtedly has different standards in particular places, but the chapter helps to give reassurance. Anything imported from Australia must always meet our import standards.

One of the key things to understand in trade is that things have to meet import standards. Import standards in the UK prevent hormones in beef and prevent different chlorine washes. All those kinds of things would not meet our import standards. We have been clear that our standards will not be changed as a result of a free trade agreement. What the free trade agreement says is that neither side may use a change in standards to give itself an unfair trade advantage, and that is a bit different. I do not think the UK would ever do that, and Australia has signed up not to do that.

On changing Governments—this reflects a wider point about trade agreements—you will know that, across all international agreements, these are international treaties, and they are designed to weather

changes of government. There are inevitably things that are for the long term. It is worth pointing out that I met the Australian Trade Minister, Don Farrell, only yesterday. I think he came in front of your committee.

The Chair: He did, yes.

Greg Hands: His view was very much that the deal is good for Australia. My view is that it is a good deal for the UK. I do not think there is any proposal to change the deal. Of course, we welcome all Governments who come forward with a more progressive and sympathetic view on the need to take action on climate change. That is a major objective of this Government, and we can take great pride in the work that this Government have done in the last 12 years to help secure international agreement on fighting climate change—most recently at COP 26—and ongoing work that will continue.

There are no plans or proposals to reopen any agreement, but the joint committee will work to make sure that the agreement is working. The environment chapter is there. It was the first time that Australia referenced the Paris Agreement in a trade agreement. It was the first time that there had been a substantive climate change article in a deal. It is a helpful agreement when it comes to climate change.

The Chair: Thank you. We will shortly go on to individual future trade deals.

Lord Gold: Good afternoon, Minister. I want to pick up on the debate on whether a speech by the Secretary of State is sufficient for these purposes. I am sure I speak for all my colleagues in saying that no one wants to put the Government in a position where their negotiating position is prejudiced, but if the speech was turned into a form of policy that is debated in Parliament and a certain set of criteria are put forward, would that not assist you in the negotiation, just as the US is by being able to refer to what happens on the Hill, as Lord Kerr said? You are negotiating and you go to your counterparts and say, "Look, this is what Parliament wants here. My hands are, to some extent, tied". I spent my life negotiating. I would have thought that would be a quite useful thing to have in your pocket.

Greg Hands: It is, as you know, sometimes said in negotiations, either rhetorically or factually, "I don't think I can get this through my Parliament", or, "I don't think my MPs or Peers will agree to this". I do not think the fact that we do not have the document that you describe prevents the UK doing that, because, ultimately, anything that happens in a trade agreement still has to go through primary legislation. The Trade (Australia and New Zealand) Bill, which we gave a Third Reading in the Commons yesterday, will come to you shortly, and being able to debate that will allow you the chance to debate those changes. I could have said in those negotiations, "I have to get this through Parliament".

Lord Gold: It is far better to be able to say before you have signed up with the other side, "I just can't do this", than to come back with a

document that is 80% or 90% very acceptable but where one could have achieved more on the last 10% or 20%.

Greg Hands: We are clear with our negotiating counterparts about what can and cannot be achieved. We have always been absolutely clear that the UK is not watering down or changing its animal welfare and food safety standards. I do not think it needs a trade strategy document. We have said that in Parliament, in both Houses, in speeches and in different negotiation objectives again and again, and we can keep referring back to that and just say, "This is not something that is going to happen from the UK side". I am not sure that publishing a strategy document of the sort you are describing would necessarily help that.

Q19 **The Chair:** We may continue to bat on that, but perhaps we could turn to the current trade negotiations that are going on. Would you like to take us through the major ones?

Greg Hands: The overview is that we are basically doing seven negotiations at the moment. Earlier, somebody asked a question about capacity, which I may not have answered fully. I am very conscious that we are negotiating with more counterparts than any other at the moment. I have to be mindful of the capacity that we have in the department. I have a great team of negotiators and a great team of trade policy people overall.

Because I have a geographic mind, I will go from west to east. We are going further with Canada and Mexico, taking further the deals that we rolled over from old EU deals. With Canada, I think we have done four rounds of negotiations. With Mexico, we have started to take those further. Moving east, we are taking the negotiation with Switzerland further in the new year—always a very interesting negotiating counterpart. We are going further with Israel, the GCC—the Gulf Cooperation Council—with India, as already discussed, and accession to the CPTPP, which is an existing plurilateral trade agreement. Those are our current seven active, or very shortly to be active, trade negotiations.

Lord Udny-Lister: Thank you, Minister. You will not be surprised where I am going to start asking my question. I declare some interests in the Middle East: I am co-chairman of the UAE-UK Business Council, a director of the Saudi British Joint Business Council and am involved with HSBC. I have lots of fingers in lots of pies over there. Only one of them is paid, I might add; all the others are purely voluntary.

The negotiations at the moment are with the GCC. Obviously, it is desirable to have a GCC trade agreement, but of more interest to British business in that part of the world will be the bilateral agreements, because they will deal with access to markets, professional qualifications and all the other stuff that is very much a national thing rather than a customs union issue. Will you do those bilateral negotiations in parallel with the GCC, or will you just park it—I hope you will not—and come to us and say you have done a trade deal with a customs union that deals with tariffs and little else?

Greg Hands: Thank you. It is a great question. I know of your long-standing interest in the region. I should point out, Baroness Hayter, just for context, that there could have been a choice to do individual free trade agreements with GCC members or with the GCC as a whole. We spoke to a very broad range of British businesses about what they would prefer, which ultimately is incredibly important whenever it comes to trade policy.

The danger in trade policy, as I always say to other Ministers and to my officials, is that you get sucked into a vortex of getting obsessed with a document and losing track of the people it is designed to serve—that is, exporting businesses and investors. We had wide consultation with British business and British industry, and the strong recommendation came to do a deal with the GCC.

It is not unprecedented for the GCC to do a trade deal. It has done them, I think, with EFTA and Singapore, so there is some precedent, although not a recent one. The feeling was that you would get more bang for the buck by doing the six countries of the GCC at once. Notwithstanding that, the ability to go further or do particular things on bilateral deals is very much there as well. It does not prevent us doing sides alongside a GCC deal.

Lord Udny-Lister, your question about key service industries is obviously vital in this regard. We sell a huge amount of goods to the Gulf, and that is very important. Given the fact that we are overwhelmingly a services-based economy—80% of the UK economy is, after all, services—the UK will get a cutting-edge advantage over some of our international competitors by having really good services provisions, either with the GCC or with individual countries as part of the overall package. In short, the answer to your question is yes.

The Earl of Sandwich: Minister, you have already touched on the trans-Pacific partnership and you have come back from the east. Are you more enthusiastic? There is a sense in this committee that the timetable is slipping. You were aiming to end the negotiations by the new year. It is a complicated treaty. Were you more daunted by the prospect of joining it when you were there?

Lord Lansley mentioned ISDS trouble and side letters, but there is also the question of who the members are. How much help are we going to get from China or Taiwan? There are problems there. You said that climate has become one of the priority issues, which it may be for Australia and New Zealand, but there are countries in the Pacific that will be important in that regard. Are you going to see them in different categories? I am trying to get at what the state of the partnership is and whether it is going to work.

Greg Hands: Yes, I think it will. I am very excited about it. It was one of the early decisions in the department. I think we started talking about acceding to the CPTPP in 2017. Obviously, at that point, we were not able to be one of the founding countries because we were not able to have an

independent trade policy until we had left the European Union—indeed, the end of the transition period. We have been preparing for this for a long time. We are still making very good progress.

It is my firm conviction that we will be the first party to join the CPTPP as opposed to being a founding member. That is quite an interesting process because joining that agreement is something that nobody has ever done before. In some cases, there are not good precedents, but we have worked really well. Japan chairs the accession working group. We had a further round last week in London. It is very much a live negotiation moving forward, and I am very excited about it.

I do not want to go off on a Brexit tangent, but it is a free trade area without any of the additional things such as freedom of movement, financial payments and all the things that caused controversy with reference to the European Union over many decades. The CPTPP is closer to where I think most of the British people want to see a trade agreement. In terms of that, it is a very good agreement for the UK. It is quite well suited for us. It has very good rules on data and digital, and on rules of origin—originating origin across CPTPP members counts as UK.

For example, an electric vehicle assembled in the UK with a battery from Japan and sold to Canada would count as qualifying content under the CPTPP. It is very liberal and has very good mode for provisions, movement of professionals and so on. There are a lot of things in it. We did not write the CPTPP. As it happens, the United States wrote most of the agreement, but let us not go off on that tangent. If you were to have a UK-friendly agreement, I think the CPTPP would look very much like it. That is the first reason I am excited.

You mentioned new members. It would not be right for me to comment on other potential members, given that we are not yet in the CPTPP. It would be a bit like putting in an application to join a club and already making comments on who we would like to have join the club or blackball from it in future. I do not think that would be appropriate, but being in it increases the UK's capability to determine the evolving rules. Do not forget that rules evolve as society changes. Data and digital rules were not really thought of 15 or 20 years ago. It puts us in the centre of a significant trading bloc in being able to set rules for the future and determine applicant countries in the future.

Your point about climate in the Pacific is something we can pursue in all kinds of different ways. The UK, as we know, has a very forward-leaning climate agenda when it comes to the Pacific. We have gone out of our way at COP and elsewhere to bring Pacific nations into the discussion on climate. Going back to Lord Grimstone's point, not everything has to be done through an FTA; we can do it through all kinds of means.

I am very excited about the CPTPP. I popped in on the negotiations last Monday and met the chief negotiators for the CPTPP 11, and the atmosphere around that table was very positive about the UK joining. The GDP of the CPTPP is currently about 11% to 12% of global GDP, and the

UK joining would increase it to somewhere between 14% and 15%. It fundamentally changes its nature from being a Pacific Rim agreement to starting to be a more global agreement. That is also the attraction for the existing CPTPP members.

The Earl of Sandwich: That is such a full answer that I am not going to press any points now.

The Chair: Shortly, we will turn west again towards America, but before that Lord Gold wants to come in on one other issue.

Lord Gold: The rollover agreements following Brexit provided commitments to reopen negotiations by certain dates. Can you tell us how many of those agreements include such a provision, what, if any, progress has been made opening those negotiations, and which you expect to start soon?

Greg Hands: I might have to write to the committee if I do not have every single one. There are more than 50 of those agreements, so you are testing my knowledge of all of them. The biggest is Canada. That negotiation has already started. Embedded in the UK-Canada agreement, which was the rollover of the CETA agreement, was a commitment to reopen it and go further. I think I am right in saying that the same was the case with Israel, and that too is a live negotiation. South Korea also includes one. Just last week, I launched the call for input on going further on the Korea agreement, which is a negotiation that has to start next year according to the text of the original rollover.

If there are others, I will write to the committee. It may well be embedded in one or two of those others. We are doing the negotiation with Switzerland in any case, but I think Switzerland may have included that, and possibly Mexico as well. I am not aware of any negotiation where we have that clause that we are not addressing—let us put it that way. We have not lost something along the way, to the very best of my knowledge.

Lord Gold: What about the timing?

Greg Hands: They are all a little bit different; some say within two years of entry into force of the rolled-over agreement. That is the most typical provision. Off the top of my head, that is what I think the Korea one says and what the Canada one says. I am not aware of any going much longer than two years, or possibly three. It might be easier if I write to the committee on that.

Lord Gold: That would be very helpful. Thank you very much.

Q20 **The Chair:** Could we look west? When we thought there was a possibility of a deal with America, the Government published some objectives for that. We know what happened there. We are quite interested to hear from you both about the dialogue that was first launched in Baltimore and then in Aberdeen and somewhere else, and about the three, so far, MoUs with individual states in America.

It would be helpful if we could know a little bit about the objectives for those. They all seem to be slightly non-binding MoUs, so I am not quite sure how they will be monitored and implemented. In a sense, this has all come about since we talked to your department about its overall strategy, so it would be helpful if you could take us through some of that.

Greg Hands: I will break it down into the two parts, the federal level and the state level. On the federal level, of course, we would love to be doing a free trade agreement with the United States. I am not saying anything that has not been said before. It has been consistently the view of this department and this Government since, I think, summer 2016 to do that.

The Administration currently do not want to do free trade agreements, and we have to work with that. Having said that, we have achieved a lot in trade with the US this year. The first shipments of British lamb have gone into the US for the first time in 20 or more years with the US changes to what they call the small ruminants rule. That has been a very helpful development.

We have really good dialogues on SMEs. That is one of the big gains in the UK-US trade relationship. We are both very largely economies of services and SMEs. There have been two meetings of those SME dialogues in Boston in June and in Edinburgh at the end of November. Those have moved things forward. The Section 232 tariffs have also been removed. There are a whole lot of things that we have progressed on the federal level.

On the state level, this is something that I am enormously excited about. Last week, I was in the US. Different state MoUs are at different stages. It was fascinating to see all the stages. I was in South Carolina on Wednesday to sign the agreement with Governor Henry McMaster to move forward. It covers two areas, most particularly life sciences and automotive. We looked at the areas where the UK and South Carolina each have big capability. South Carolina is the US's biggest exporting automotive state and has the fastest-growing life sciences sector of any US state. The attraction for South Carolina is that it will lead to bigger UK investment there. That is the thing that you get the states to buy into.

We now have new states saying, "We would like to do a similar or new agreement". I was also in Utah, where we are in the final stages of negotiations with that state. What gave me particular pleasure was going to California, the biggest state of all, with an economy larger than that of the United Kingdom, and agreeing to start talks with it in the new year. We are making a lot of progress. We have already signed deals with Indiana and North Carolina. We are in talks with Texas and Oklahoma and others. That is the broad outline of where we are doing them.

As to your question about what they include, you are right that they are memoranda of understanding; they are not legally binding free trade agreements, but they are very reliable and very well-known counterparts. An MoU can get you a long way. I will give you just two examples. State-level procurement in the US has enormous opportunities for British

businesses to bid into those procurement markets. Just yesterday in fact, we had the first meeting post the agreement with Indiana looking at how UK businesses can bid into Indiana state procurement. I do not think that meeting would have happened without having had the MoU to provide the backdrop.

I mentioned that I have been out of DIT a couple of times. I was the Energy Minister for a year and I know our offshore wind capabilities extremely well. In November, we had a delegation of UK companies involved in offshore wind meeting the governor of North Carolina as a follow-up to the MoU. We had our exporters, through the MoU, sitting down in front of the governor making the pitch. North Carolina is very interested in moving into offshore wind, as you can imagine. It has quite a big coastline.

Our ability to get through the door to the governor and make that pitch of UK capability and UK companies would not have happened without the MoU. You are right; the MoU is a smaller, typically four to eight-page, document. It does not confer legal rights and obligations, but it is a statement of intent. The interest from the states is getting British investment and British expertise in areas that we are very good at, such as life sciences, offshore wind and fintech. Those are big opportunities for US states to do something. I am very enthusiastic about this area of our work. It does not replace doing a free trade agreement with the federal Government. That also remains our goal. These are complementary to an FTA with the US Government whenever they wish to restart the negotiation.

The Chair: Lord Grimstone, do you want to come in on this?

Lord Grimstone of Boscobel: Yes, thank you, Chair. Minister, can I take you back up to the federal level? By all accounts, there was a very good meeting in Aberdeen last April; the USTR and the then Trade Secretary were present. The press release that came out afterwards was very positive about the meeting: "Drawing on the stakeholder discussions and bilateral talks in Aberdeen and Baltimore, Secretary of State Anne-Marie Trevelyan and Ambassador Katherine Tai directed their teams to work at pace over the next several weeks to develop an ambitious road map with economically meaningful outcomes", and then the various areas that they wanted that road map to cover were included.

There has been a bit of a deathly silence, as far as we are concerned, as to what happened. It was very good that there was such a positive meeting. It gets us to the federal level. Could you update us as to where this road map has got to? Now that we are several months past the April date, is it something we are likely to be seeing in the near future?

Greg Hands: The answer to that is to look at the positive elements of UK-US trade that we have seen over the last year and some of the dialogues that we are taking forward.

Going back to your earlier question about some of the “trade and” issues, we are having very positive dialogues with the US on labour rights, climate, supply chains and so on, which I think will be really useful. The current Administration’s interest is very much in those issues. We have the SME dialogues. I am satisfied that we are doing quite a lot federally to reduce and remove trade barriers. I mentioned lamb, the Section 232 tariffs and so on. There is a lot that we have been doing over the last year. I think it has been a successful year for UK-US trade, notwithstanding the issue around the free trade agreement.

Lord Grimstone of Boscobel: Worker-centric trade was particularly singled out. We all know that is a particular ambition of the USTR and the present US Administration. Where do you feel that worker-centric trade fits into our priorities?

Greg Hands: It is fair to say, and we do say this to the US Administration—I am not telling you anything you do not already know, Lord Grimstone—that there is a bit of a debate in the US, and has been for probably the best part of a decade, about whether free trade agreements erode workers’ rights and jobs in the United States, et cetera. That has been a fact under different Administrations. President Trump put it across. There have been different voices in the US putting that perspective across.

From a UK perspective, we can say very clearly that the UK does not threaten worker rights in the United States. We have very strong labour rights in the United Kingdom, and there is no threat, in my view, of the UK undercutting US labour rights or US labour laws. That is the important thing to get across when it comes to worker rights; the UK is definitely not a threat. We have a similar level, and in many cases a more advanced level, of worker rights than there are in the United States. We are not a threat.

Lord Grimstone of Boscobel: Thank you. It is very good to have that repeated on the record and to remind the USTR of that.

The Chair: Maybe that is a commitment not to repeal all those European laws we have brought over. I know we are running out of your time, but there are two other issues. You mentioned early on that you thought our impact assessments were of very high quality. Lord Morris would like to raise a question about impact assessments.

Q21 **Lord Morris of Aberavon:** We read that the committee of the Welsh Parliament, the Senedd, has expressed concern about the level of detail provided in impact assessments that are published alongside finalised trade agreements. We have raised it too. Can anything be done to remedy that, because there is deep concern? Also, why do the Government refuse to provide information on the reaction of the devolved Governments to their proposals?

Greg Hands: Sorry, is this the devolved Administrations’ response to the negotiation objectives or proposals?

Lord Morris of Aberavon: The second part.

Greg Hands: We need a confidential space for talks between the UK Government and the devolved Administrations. I do not think it is always right to publish everything that is said. When it comes to a negotiation objective, we have to be a bit careful. The UK Government trade policy is reserved. Foreign policy is obviously reserved. International treaties, as you know better than anybody, are reserved, but there are impacts on areas of devolved competence, agriculture being the most obvious. I am convinced that we need to work closely with the devolved Administrations, but we must also respect the devolution settlement that trade policy is a reserved matter. Inevitably, that means we need to be having a discussion with the devolved Administrations, and we do that collectively.

I chair the Interministerial Group for Trade—it was recently renamed while I was out of the department; it used to be called the ministerial forum for trade—currently with two Ministers; I am not sure who Northern Ireland will have at that meeting. That is a meeting that I used to chair quite frequently, where I talked through with them the sorts of things that we might be seeking from a trade agreement with country X, and I would seek their views on where that would have an impact on Scotland, Wales or Northern Ireland.

I found the attitude of the Welsh Government in particular very positive about what could be in it for Wales. Of course, the devolved Administrations will put voice to concerns they might have, but the Welsh Government, to be fair to them, were quite forward-minded on what might be the opportunities for Welsh exports as well. In that sense, I am not sure if I am really answering the question to your satisfaction, Lord Morris, so do come back to me.

I find that involving the devolved Administrations has been very positive. We respect the devolution settlement while recognising that we need to work together. We have started sharing more text with devolved Administrations. That has also been very helpful. To the best of my knowledge, no discussion or any of the draft text that has been shared with a devolved Administration has been leaked. I am reasonably satisfied with the relationship we have.

Lord Morris of Aberavon: I take the point about the difference between what is devolved and what is not devolved, having perhaps been the author of some of those things a long time ago. The short point is this. This committee has been driven to seek the views of the devolved Administrations directly because of the refusal of the Government to tell us what the effect is in the non-devolved areas of their policies. We have circumscribed that by asking them directly.

Greg Hands: Is this in non-devolved areas of their policy? Let me think of a good example. Mode for movement of professionals is something that would not be devolved. To be honest, I have not seen that. Perhaps the committee might write to me about what you report as a refusal of

this Government to engage on that. I am happy to have a look at that and find out exactly what it is that you tell me the Government have not done and see if the Government have previously acted reasonably. It might have happened while I was out of the department, as I am not really aware of this dispute, to be frank.

The Chair: Thank you.

Q22 **Lord Kerr of Kinlochard:** I was going to ask you, but we do not really have time—perhaps you can write us a note—about the completely separate area, which we have not gone into at all and it is too late to do so, of the Geneva WTO. I am very uneasy about the way the court has been paralysed by our American friends. The WTO is not terribly valuable if its disciplinary machinery collapses. We are not quite there yet, but I would like to think that we are, with the EU, working on the Americans to change their position, because this was not a Biden policy but a Trump policy, so it is possibly changeable. I would be very grateful if you could give us a note on that.

Could I take you back to what you said to Lord Watts about transparency? I think you said that transparency to Parliament from the department was up with the best practice of western democracies.

Greg Hands: Westminster democracies.

Lord Kerr of Kinlochard: It does not feel like that here. If you think about the 27, when we were there, I was on the EU committee here and I saw the documents that led to the Council sending the mandate to the Commission. I saw the European Parliament having to approve the mandate. I saw the European Parliament sitting in on the negotiation, being kept informed at every stage because that is what the treaty said, and I saw it having to vote for ratification. Then, of course, as you said, there is mixity; some of the national Parliaments were voting too and some of the sub-national Parliaments, for example, in Belgium.

Here, we are in a situation slightly mitigated by some very helpful changes at the margins that Lord Grimstone, when a gamekeeper before he turned poacher, helped to bring in, but we have the feeling that we are not really briefed on a negotiation until it is too late to do anything about it, and our role in ratification as the House of Lords is zero. Doing our job as a committee, reporting to the House, has been made easier by the helpful changes that Lord Grimstone brought in, but there is still a lot of work to be done here to get us up to the best practice of western democracies.

We have a series of reports on our working practices—it is a funny title. Basically, they are about the relationship between us and Whitehall, including your department. It would be very good if you could take a look at that. There are still a number of issues that in my view, and I think the view of the committee as a whole, have not quite been satisfactorily resolved yet. If you could cast an eye over that, it would be splendid. It has to be said that my old department, the Foreign Office, is a greater sinner in this respect than your department.

Greg Hands: That is a tempting road to go down, but I will resist. I thought I was clear on the comparison with Westminster-style democracies. Fundamentally, our set-up is different from that of the Commission, the Parliament and member states, as it is different from the United States set-up. I was stressing that our Westminster style compares with the very best—Canada, Australia and New Zealand.

We are always willing to offer briefings to this committee from our negotiators, and have done so, and to the Commons International Trade Committee. Those briefings, I believe, have been frequent. They certainly were when I was previously at the department. We stand ready in principle to provide those kinds of briefings. It is ultimately a live negotiation, and we have to get the balance right between protecting the position of the UK in the negotiation and keeping parliamentarians briefed.

I am keen to work with you to make sure that we keep you abreast of what is going on beyond the Written Ministerial Statements, the impact assessments, the negotiation objectives being published, and the debates that are had. Both the Secretary of State and I are keen to do more with committees in both Houses to keep them abreast, and that may go beyond into things such as the Commons EFRA Committee, with which we have also done sessions.

Going back to the EU, I spent a couple of years on the EU trade FAC, and it was not always a very satisfactory body to be on, to be frank. I was always the most pro-free trade voice in the room. I thought that there would be some more free trade friends out there, but as soon as somebody mentioned beef from Brazil or those kinds of things, quite a few of my free trade chums turned out to be not so chummy after all when it came down to the actual practicalities of free trade.

This is a big opportunity for the UK to have a trade policy that suits this country and suits our capabilities. I have already mentioned data and digital. It is all these things that the UK has a stronger interest in than others that we will look to pursue.

The Chair: Minister, thank you. As usual, our silent staff will find some of your comments interesting, as they would occasionally go on to the website of either Australia or New Zealand to get more details about what was going on than we were able to get from your department. I do not want to talk down what you have offered in the way of discussions, but there is probably still more room for dialogue going forward.

On the other hand, in a positive way, we are all learning. We are a new committee. You are a new department. As Lord Kerr said about what we call the Grimstone rules, we are developing, and we hope that your open mind, as you said earlier, will extend to this and to further improve the discussions that we are able to have on behalf of Parliament about what you are doing.

Having said that, thank you very much for your time and your input. I

think you have promised us only two things, one in answer to Lord Gold on the rollover and one to Lord Kerr on the WTO. We look forward to working with you and your colleagues in future.

Greg Hands: Thank you very much indeed. I look forward to being back with you in the new year.