HOUSE OF LORDS

International Agreements Committee

Corrected oral evidence: UK accession to Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

Tuesday 14 November 2023

4 pm

Watch the meeting

Members present: Lord Goldsmith (The Chair); Lord Fox; Lord Grimstone of Boscobel; Baroness Hayter of Kentish Town; Lord Howell of Guildford; Baroness Kingsmill; Lord Udny-Lister; Lord Watts.

Evidence Session No. 3 Heard in Public Questions 20 – 34

Witnesses

I: Kate Foster, Head of International Affairs, Federation of Small Businesses; Sally Jones, Partner, Trade Policy and Strategy, Ernst & Young LLP.

Examination of witnesses

Kate Foster and Sally Jones.

Q20 **The Chair:** I welcome our witnesses to this evidence session of the International Agreements Committee on CPTPP. You were both sent a list of the interests that have been declared by committee members. This meeting is being broadcast through the parliamentary website. A transcript of the meeting will be published on the committee website, and we will ensure that you have an opportunity to make any corrections to it where necessary.

Let me start the bowling, as it were, by asking a very broad and general question. In your opinion, what does UK accession to CPTPP mean for UK businesses? Please answer in whatever order you wish.

Kate Foster: We will both be very polite.

Sally Jones: No, I am going to.

Kate Foster: All right.

Sally Jones: First, thank you very much for having us. I am EY's trade policy and strategy partner, which means that I understand what barriers might be preventing them from trading as freely as they would like, and the steps they might or might not choose to take to mitigate those. In that context, quite a number of my clients and contacts ask us about CPTPP and, in those very broad terms, our view is that anything that reduces trade barriers is a good thing for trade, because it increases the likelihood of trade taking place.

However, within that context, CPTPP was not negotiated in the first instance with the UK as a member or in mind, and we already have free trade agreements with several of the CPTPP members. That leads to a certain complexity in that, sometimes and in some areas, businesses need to decide whether they wish to structure their businesses with the CPTPP in mind or with one or more of the free trade agreements in mind in order to take advantage of whichever, in their personal circumstances, gives them the best outcome.

Kate Foster: Good afternoon. I am from the Federation of Small Businesses. We are the UK trade association for small businesses and the self-employed. We are across all sectors and all nations of the UK, and trade is an important part of the business model for many of our members.

I would like to make three main points on CPTPP accession. The first is the potential for growth into new markets. We know that CPTPP regions are important for many of our exporting businesses; they have said that these are markets they are keen to move into in the next few years. Particularly for small businesses, we welcome the commitments in the SME chapter on helping small businesses to take advantage of the agreement, but there are also commitments on market liberalisation and digital regulatory co-operation that we welcome.

Secondly, there is the opportunity for UK leadership in trade. Obviously, this is part of the UK's wider strategy of looking more towards the Indo-Pacific. There is an opportunity there for us to have the first European seat at the table, although, as Sally said, it was not originally an agreement negotiated with the UK in mind, so there is complexity there.

Leading off that complexity, my last point is about implementation. Accession is welcome overall, but it must be matched by efforts to help businesses to take advantage of the opportunities available to them to understand what it means for them in practice.

The Chair: How are the Government going to go about that, as you see it?

Kate Foster: There are a few ways. First, we have been working quite closely with DBT generally on guidance for businesses, not just on CPTPP but on other trade agreements. Our members tell us that there is a lot of guidance available on the government websites, but it is not always necessarily easy to navigate. I will also shout out to Sally's, EY’s, report on the utilisation of free trade agreements, which is a really useful resource. So guidance is one of the key points, as is continuous discussion with industry stakeholders.

Sally Jones: May I expand on that with a couple of observations that are entirely in support of and in agreement with Kate. The first observation is that—Kate was being polite about it—the GOV.UK website is woeful. It is almost impossible to use. We did an exercise where we compared the Australia guidance to its exporters on its website to the UK equivalent, and we could get to any piece of information we looked for on the Australian website within five clicks. We gave up counting with the UK website when we got to about 200 clicks, because we got bored.

The GOV.UK website needs a complete overhaul. Some of our clients tell us that they go to other countries' websites to get guidance in preference to the UK site because it is so poor. I will make this point every time I get the chance to, because it desperately needs overhauling.

The Chair: Have you made the point to the Government?

Sally Jones: Oh yes, several times.

The Chair: I am just making sure.

Sally Jones: The second point is that implementation is not the exciting part of free trade deals, but it is probably the most important, because a deal is only as valuable to the country as it is used. We know that the take-up by businesses of free trade agreements in usage is really quite low, so anything that can be done to encourage businesses by making it easy for them and keeping those dialogues going will pay dividends for the country.

Q21 **Lord Fox:** On that last point on take-up, clearly we are not in a position to look at this deal yet, but the Australian deal has been in since March, and my impression is that take-up on that has been quite low as well. Using that as an example, how might we do things differently for the CPTPP?

Sally Jones: If you ask us both that question, you might get different answers, because my clients typically are bigger businesses that are more used to exporting in the first instance, and they generally have the experience that allows them to take advantage where they need to. From my perspective, the companies I typically deal with can take advantage of the Australian FTA reasonably well. Kate, I suspect your experience from your members is quite different.

Kate Foster: It is, although I have to say that some members have said to us, "We used to import from Australia and it was expensive, and now it's smooth sailing". There have been some really positive experiences—

Lord Fox: I was thinking more in the other direction.

Kate Foster:—but Sally is right that it is a different experience for small businesses. Trade in general is quite daunting for small businesses and when we speak to them about it, it always comes back to the same few things: it is expensive, there is a lot of paperwork, and there is a lot they do not know, and they do not know that they do not know it.

When it comes to FTA take-up, in previous research we asked members, "What would be the main thing that would help you to export?" The top thing was free trade agreements. We followed that up and said, "Well, how many of them have you made use of?" I will caveat that by saying that it was pre-TCA. The number was about 18%, so the awareness of FTAs is really low. Quite often at the FSB we point to something that Canada has done as an example of best practice in the implementation of the EU-Canada trade agreement. Canada had a series of roadshows that took the Government out to the regions, out to businesses, and spoke to them directly about how they can take advantage of it.

Lord Fox: That is quite helpful. Thank you.

Q22 **Baroness Hayter of Kentish Town:** When Lord Grimstone was doing the trade stuff, we kept asking the Government at that point whether they were going to do any monitoring of the new FTAs. From your obviously frequent discussions with the department, do you know whether they have put monitoring in place to see what the impact of these trade deals is?

Sally Jones: I cannot give you data. I can give you anecdote, which is that the officials at the Department for Business and Trade often ask us for unofficial support for particular things that they are trying to do and, indeed, for input on where things are not working. The officials were very diligent, particularly around the TCA, at repeatedly asking for evidence of things not working that they could use in the various committees to open doors that, generally speaking, had not been deliberately shut, but there was a lacuna. My gut feeling, based on my experience of interaction with the officials of DBT, is that they are indeed monitoring and taking their role there very seriously.

Kate Foster: I do not have anything to add.

Q23 **The Chair:** Thank you. Let us drill down a little. First, what can you tell us about new goods access that CPTPP will give rise to, and will the rules of origin provisions be usable by British industry?

Sally Jones: First, the rules of origin provisions are nightmarishly difficult to cut through for anybody. Experts spend entire careers advising businesses on how to make the provisions of rules of origin work, so it is very difficult to say anything too generic other than that they are tricky and you need to get into the product-specific information quite quickly.

The kind of businesses that I typically work with already have regional supply chains, so they are doing a lot of work to go through the analysis to say, "Well, do I want to do a CPTPP rule of origin claim? Do I want to do a bilateral free trade agreement rule of origin claim?" The main country where we do not currently have a trade deal but is in the CPTPP is Malaysia. UK business to Malaysia is around £5.6 billion, at the most recent figures, so it is worth having but it is not enormous. Outside of Malaysia, on the whole it is about shaving costs away rather than an enormous amount of market access that did not previously exist.

The Chair: Let us move on to services.

Q24 **Lord Howell of Guildford:** I want to get a better picture of where this is all going. To what extent will it be particularly favourable to services, which, after all, are said nowadays to be almost half the whole of world trade, and beyond services to an enormous stimulant to mutual investment both ways: particularly between this country and other members of the group, and the other way around?

Nikkei Asia quoted the chief economist of the Economic Research Institute for ASEAN and East Asia—ERIA—which is a very big organisation, as saying: "More expectations on the Asian side resides in a possible boost of foreign direct investment into Asia by the UK firms". Do you agree with that sort of assessment? It is very hard to put figures on it, but is that the way we should be looking, because the trade figures are, frankly, rather mingy. They are merely an addition to what has been arranged already. We have FDAs with almost every country except, I think, Malaysia.

Kate Foster: I will defer to Sally on services first.

Sally Jones: When CPTPP was negotiated back in 2017-18, it was pretty much cutting edge for services. A number of countries in CPTPP had been involved in the TiSA—Trade in Services Agreement—negotiations that covered 23 or 24 different countries, so people were using their TiSA offers as the baseline which they lifted into CPTPP. The countries that were more sophisticated on services put in pretty bold offers, or bold for 2017-18, and they lifted the less sophisticated countries along with them.

So by the standards of five years ago it is a pretty decent services-access set of commitments in CPTPP.

The truth, though, is that negotiations do not stand still. The UK has taken something of a lead in services negotiations, as you would expect, given the extent to which services are critical to our economy. As a result, Australia, Japan and New Zealand deals which the UK has subsequently negotiated go even further on services than the CPTPP provisions do.

So my gut feeling is that it is decent on services, but it is not cutting edge any more. On the other hand, as my grandmother used to say, it is better than a slap around the belly with a big wet fish.

Kate Foster: Coming from the small business perspective, that locking in of existing preferential access is really useful for small businesses. They are always looking for certainty, so locking that in is really helpful. One area of services more broadly is temporary business travel, which our members find really difficult to navigate, whether it is visa requirements, local presence requirements, or local qualifications. It is a complicated patchwork, because not only are there the CPTPP annexes; they are the annexes in the bilateral trade agreements as well. That is very difficult. If we are looking to unlock services in the context of the CPTPP, helping businesses travelling as independent professionals or contractual service providers to get there is really helpful.

Lord Howell of Guildford: Can I just add one other statistic? It is a World Trade Organization statistics claim—whether it is right or not, I do not know—that about a third of all trade now is between what they call affiliates. There is a question about what affiliates means, but broadly it means firms that have the same elements of ownership or overlap in some ways. That would imply that all this is going to work if we have a lot of firms with branches and affiliates dotted around the whole region. But have we, and is this one area where we might see great things?

Sally Jones: You then get into the whole debate about whether you are trading with that country, or whether you are trading in that country by setting up a subsidiary or a branch. From my perspective, part of the problem—I should warn you that I am about to go on a rant, because this is another of my bugbears—is that the UK's collection of trade and services data in particular is pretty poor. That is not a UK-specific issue; it is an issue for every country. Typically, we take a small sample of information from a very small number of businesses, gross it up across the whole of the services economy and assume that the gross-up is right. However, we have ended up in a position where the UK thinks that it is a net exporter of services to the US, and the US thinks that it is a net exporter of services to the UK, so that tells you just how bad the data is.

I am going off on one like this, partly because it is really hard to say, particularly in the services' context where so much can be delivered remotely, whether and to what extent it is still important to have a subsidiary locally. Generally, you only need—as opposed to might want—a local presence if there is a regulatory reason for doing so.

Baroness Kingsmill: It is also complicated by the issue of franchises. A lot of big international companies operate in other countries via franchises, so it is quite difficult to recognise who is trading with whom and where. That really complicates the points you are making.

Sally Jones: I absolutely agree. In the goods world, with a manufacturer of handbags in Birmingham for example, it is very easy to see an export, because more handbags are being manufactured because tariffs have come down, so the handbags it is selling into a different country, such as Malaysia, have become more economically viable. With services, it is a far harder conversation to have, because you do not have the reporting, the tariffs, the exports or the imports. So how do we know that more services are being sold because of a free trade agreement or otherwise? It is very difficult to track it down.

Baroness Kingsmill: And, of course, supply chains are so complicated. That also makes a huge difference.

Sally Jones: Yes.

Q25 **Lord Watts:** I think you have dealt with this, but we can perhaps drill down a little further than we have done so far. How do the CPTPP provisions on goods and services compare to the existing free trade agreements in general? What are the notable differences between the free trade agreements we already have and the CPTPP? Finally, you have touched on Malaysia already. What are the major opportunities for British companies in Malaysia now that we have an agreement?

Kate Foster: I do not think I would be going too bold to say that CPTPP is a fairly standard free trade agreement in what is contained in it, although, as we touched on, it is quite good on digital in particular. It largely locks in existing market access, which, as I said, is really important for small businesses that are looking for certainty.

One of the big benefits is the aggregate benefit of being part of a regional FTA with 11 other countries. With things like rules of origin, if you are a small business trying to navigate that and import, say, a component for your machine from one CPTPP country—you process it in the UK, make a final product and export it to another—that can make the process a whole lot easier and much less complex for a business with fewer than 50 people, like the vast majority of our members. They do not have trade departments. They do not have trade staff, necessarily. They are doing it on top of everything else. So that is really helpful.

There are areas where the CPTPP goes further than some of the bilaterals, particularly on digital, as I say. Things like allowing for digital payments we find really helpful. Late payments are another big problem that small businesses face, so making it easier for small businesses to accept and make digital payments is another thing that makes the whole process a little easier.

On services, there are provisions that allow UK professionals to stay longer than some of the bilaterals do. Malaysia is a growing market, and we do not currently have that preferential access. Going back to the goods discussion at the beginning, one of the big opportunities is a growing middle class in CPTPP markets, including in Malaysia. So for small businesses that are, say, trading in luxury products or food and drink products, there is a new market, where they might be put off at the moment because the tariffs are very high. The tariffs on whisky, for example, will come down significantly.

Lord Watts: Is there a suggestion that companies already working in some of these countries under the free trade agreement are more likely to pursue Malaysian contracts in the future? They have had experience of getting through the trade arrangements in the other countries and they have a base there, but they are now open to one in Malaysia and they can use their past experience to access markets in Malaysia.

Kate Foster: I think that is fair. I do not have data on this particularly, but, again, we know from speaking to members that, when it comes to trade, often they follow the path of least resistance. If they are used to trading in one particular market and it is not going to be overly burdensome to move into a new one, that may be where they will go if it is an appropriate market for their product or service.

Lord Watts: Thank you.

Sally Jones: There is also the fact that CPTPP members themselves are not necessarily sitting still. Kate rightly said that it is about digital provisions in the CPTPP, but I think the members understand that those themselves are changing all the time. Chile, New Zealand and Singapore, for example, negotiated the Digital Economy Partnership Agreement—DEPA—really intending for it to bolt on to CPTPP in due course, again to lift all the members up to that higher level. If there are areas where British business is not investing, selling or serving, and members can see that the CPTPP, through some relatively modest or not so modest change, could facilitate that trade, I think there is likely to be an ongoing dialogue that will give rise to better provisions.

Q26 **Baroness Hayter of Kentish Town:** Your particular expertise is in business, but you two know the market better than most people. I am therefore interested in what, from your perspective, the drawbacks, if there are any, or benefits for consumers might be by us joining this agreement.

Sally Jones: FTAs are not really the mechanism by which consumers are taken into account. Typically, and this is very broad brush, consumers are taken into account through regulatory co-operation of some kind. Regulation is typically set up to protect consumers. The intent of FTAs is not to reduce the level of protection but to reduce the level of admin burden that companies are required to go through to achieve an appropriate level of protection.

What does this mean? The ideal would be if the UK and another country could look at each other's regulation and say, "Actually, both our regulation is sophisticated, well monitored and appropriately taken into account, and transparency is high". Why should a British business wanting to sell into that country have to go through two sets of conformity assessment in order to make that sale? Would it not be better to say, "You've gone through a conformity assessment in the UK, and we'll recognise that and allow the sale? If it's okay for the UK, it's okay for us".

The trouble is that that requires trust, and trust is not always high between two parties immediately after a trade negotiation. Oftentimes, you need a period of trading in which the trust builds up. At that point, it is much easier for the regulators in two different countries to say, "You know what? We do trust each other, and we can take sensible steps to eliminate, or at least reduce, the additional admin burden". Typically, that is when consumers start to see the benefits, because the cost base from which the sales price derives has come down.

Baroness Hayter of Kentish Town: Sally, you said something earlier about it being easier coming in from Australia. How do consumers ensure that those savings, either for conformity with later agreements or lack of paperwork, is passed on by lower prices to consumers, or will it simply be to the benefit of business—that is great from your point of view? How do we ensure that those advantages and reductions in costs are passed on to consumers?

Sally Jones: I am not sure that, in the current environment, all the benefit is passed on to consumers. We are seeing it come through in, for example, employee pay rises, and most people would probably accept that supporting wages is equally valid on this. There has been some fairly interesting work done in the world of taxation that suggests that the tax burden is borne 70% by employees, with the remaining 30% being borne effectively by investors and consumers. I do not know of any equivalent work that has been done in the world of trade, but my gut feeling is that that 70:30 ratio would probably continue in this place as well. I am not aware of anything specific that has looked at it. Are you, Kate?

Kate Foster: No, I am not.

Q27 **Baroness Hayter of Kentish Town:** I will move on to a different issue. I was expecting you to say that there would be more choice for consumers, but that did not come out. It is what you have not said that is sometimes interesting. I also wanted to ask you about the approach to ISDS in the agreement. I think it is just New Zealand and Australia that have a side letter, or whatever it is called, that does not bring them into it. How, from a business point of view, will that work as a slightly different system in different countries in the CPTPP family, and how does business feel about what is in there for the majority of the countries?

Kate Foster: I do not have anything in depth to say. It is not something that FSB members have come to us about or I am particularly aware they worry about, but I am happy to take that away and look at it a bit more.

Sally Jones: My observation is broadly similar. In my 26-year career, I have never had a client take a dispute.

The Chair: You have never had a client take a dispute?

Sally Jones: Yes. It is a lot less common in my experience than you would think. I have seen companies look at whether they would like to take some form of dispute and some form of settlement but, in practice, I have not had a single one. I do not know if I am just weird.

The Chair: Come to my office. You will see lots of them. That is because we do a lot of those, but I am sure you are right.

Sally Jones: We are possibly not the right people to be asking, because it is not something that my clients are demanding.

The Chair: That is important and interesting.

Baroness Hayter of Kentish Town: That in itself is very interesting. Thank you.

Q28 **Lord Fox:** You mentioned that there is a fluidity in this agreement, and you used DEPA as an example. Clearly, there is a rotating chair, and whoever is in the chair at the time has the ability to steer discussions and ideas. What changes, either in new regulations or in removing regulations, would you like the British Government to think about, particularly when they are in the chair because that is when they can move things on.

Kate Foster: My first instinct would be to say that we are coming into an already established trade agreement, so I am not sure that, on immediately acceding and taking the chair, we come in with lots and lots of big ideas to change things wholesale. A certain amount of diplomacy there would be really important.

Lord Fox: I am asking you perhaps to suspend that disbelief, because we can use this motif to get a feel for what you think should be the changes that this grouping has. So leave aside diplomacy and tact, and all the things that we are so wonderfully good at.

Kate Foster: Point taken. Also, our trade relationships in general are marathons, not sprints. We take the long-term view. The thing that immediately comes to mind is the mobility of professionals and making that easier, because that is key to unlocking—

Lord Fox: Is that about visas, or mutual recognition of professional qualifications, or both?

Kate Foster: It is a little of column A and a little of column B. A business owner who is thinking about travelling to, say, Vietnam, has an awful lot of reading to do before they even get to the point where they know whether they need a visa, what kind of visa it is, how much it is. There is work to be done to mitigate the requirements and to look at some of those national reservations. However, just to come back to my points on the guidance, that is equally important.

Sally Jones: Can I wave the flag for mutual recognition of professional qualifications?

Kate Foster: You can.

Sally Jones: That is as important as mobility provisions. We know that the CPTPP member countries have been doing some work to look at what might be possible on that, and professional services are of such critical importance for the UK that getting involved in that quickly and pushing the agenda forward would be really positive.

Lord Fox: Do you think that would be more achievable going through the CPTPP, or through the series of bilateral agreements that we already have? In other words, what would be the swiftest way of delivering that kind of result?

Sally Jones: I would quite like to see it done by the CPTPP, because we know that the countries are already taking things forward. We know that the Canada trade deal and the UK-Canada agreement by rollover both include provisions for mutual recognition of professional qualifications, but we also know that not a single professional qualification has been mutually recognised. So give CPTPP a go.

Q29 **Lord Fox:** That is very helpful. On the more general issue, you have talked a bit about how government can help to support the interests of UK business. I suppose the other side of that is: how can government find out what the interests of business are? How should government be talking to business in order to find a way through? We have heard about the website, and we have heard about roadshows, both of which sound fantastic, but in what other ways, and by what part of government, should it actually be engaging?

Sally Jones: It would be nice if there were business engagement. The Department for Business and Trade has not engaged with business since the machinery of government changes in February.

Lord Fox: That is really interesting to know.

Sally Jones: It is reviewing the business engagement arrangements, and it is expecting to be able to announce the changes by the end of this year. However, by that point, it will be almost a full year of abeyance, so I would probably say that any business engagement would be a net positive here, whether on CPTPP or any other format.

Lord Fox: That is very interesting to hear.

Lord Grimstone of Boscobel: I was ably supported by Sally and her colleagues, particularly on the service side, where we had some very developed arrangements for working with business, because, generally speaking, policy-making in this area absolutely requires the views of business. These are not political choices; these are often commercial choices. If you do not understand the commerciality and what British businesses, large or small, want, it is very unlikely that a group of officials will necessarily land in the right space.

It makes everybody's life more difficult if there is no consultation. We have heard that business would like to see the consultation. It is probably just slothful bureaucracy that stops this developing. I do not think it is a matter of principle; it is just that they cannot get themselves organised, which is sad.

Kate Foster: I would echo Sally's point. We found being part of the technical working group structure really valuable, so we would definitely like to see that come back.

Sally Jones: Yes. It does not need to reinvent the wheel; it just needs to be put in place again.

The Chair: That is very helpful.

Q30 **Lord Grimstone of Boscobel:** Thank you for your insights this afternoon. If you can, please give us even more insights. Do you have a sense of who the winners and losers are across sectors in this? We tend to focus on the countries rather than sectors. Have you had clients or members who have seen ups or downs on this?

Sally Jones: You are pressing my buttons here, because another of my bugbears is the fact that when we speak to officials or politicians at DBT about where the prioritisations are up front, it is very difficult to get a straight answer. That is not a criticism of the officials particularly, but it does mean that when you ask where the winners and losers are likely to be, we do not end up having a grown-up conversation about how the winners can be supported and how the losers can be—for want of a better word—softly compensated for that.

I do not have, and I have not seen, any particular evidence for which way the CPTPP will break. It does not feel as though it is likely to be services businesses, because the services provisions are okay but not brilliant. My gut feeling is that good businesses will do pretty well out of it, but that is just based on experience of reading trade deals rather than anything I have seen more broadly.

Kate Foster: If I could take the liberty of referring to small businesses as a sector rather than looking at particular sectors of goods, small businesses have a lot to gain from accession. We have touched on the points about mobility and rules of origin. Small businesses are the ones most likely to find it hard to take advantage of the potential benefits, so they will need help and support. I think that broadly, overall, it will be positive for small businesses as long as they have that support to take advantage.

The Chair: This goes back to the support and the information that we were discussing at the beginning of this meeting.

Q31 **Lord Grimstone of Boscobel:** Given that there will always be limited resource to pursue trade agreements, do you think we should be putting our effort into more bilateral agreements or, within the CPTPP structures, encouraging more countries to join CPTPP? We have heard separately that, because there is no standing secretariat for CPTPP, the impetus for change has to come from the members. Do you think the UK should be pushing for new members to join, or should we be using our energies to develop bilateral arrangements with those new members?

Sally Jones: The UK spreads its resources very thin. You have the deals that the UK is currently pursuing: you have the Memorandum of Understanding with the various US states—the Secretary of State in Florida is about to sign the Florida-UK MoU right now; Israel has just been put on pause; in Canada, Mexico and the Gulf Cooperation Council, CPTPP has just finished; you already have TCA renegotiation. I am sure I am missing some.

Half a dozen or a dozen deals are in the frying pan at any given time. That is pretty unusual in the international context. The US equivalent, the USTR, is said to only ever want to have three deals cooking at any given time to give them the energy and the devotion they need. I missed India. I think we have more than enough bilaterals on our plate right now. If anything, I would argue against that many bilaterals and, instead, focusing on things like the CPTPP but also on making the WTO work.

Lord Grimstone of Boscobel: That is interesting. Thank you.

Lord Fox: Just on that note, some of the bilaterals are state-based US ones. Are they worth the effort? Would it be better to use that discretionary energy on some of the larger, more substantive efforts?

Sally Jones: I struggled to get all that excited about South Carolina, I will be honest. Some states are as big as countries in their own right, and if we were able to gain MoUs with them, it could be really important—California is one, New York another, Illinois a third, and Texas. But those are not the ones where we have the MoUs right now, and I have no insight as to whether we have MoUs progressing with those or not.

The Chair: Does it not also depend on what is actually in the MoU? A mere expression of willingness and interest in trade does not really get you trade.

Sally Jones: Yes. The general truth among my client base—recognising that you may have a very different perspective—is that they were never that excited about a US free trade agreement in the first place, even when we were looking at a federal-level one, because the US and the UK are both open economies that, broadly, promote free trade in any case; we have about £600 billion of trade between the two each year. On the whole, businesses could already do the thing that they wanted to do, or the thing that was preventing them from being able to do that was so far outside the realms of any FTA negotiation that it would never happen.

We wanted access to Wall Street, which America was never going to permit. America wanted access to the UK Government procurement market and to sell food into the UK market, which had become something of a hot potato. That was a terrible pun. I am so sorry, forgive me. That was never going to happen. There is also quite a lot of stuff at state level that does not unlock other than at state level, particularly on things like mutual recognition of professional qualifications. So, on the whole, my clients were not all that fussed about a US FTA.

Lord Fox: Professional services are often regulated at a state level.

Sally Jones: They are, and you get things that are odd to British eyes, like hairdressing and beauty services, that are regulated at state level. To be fair to the US, often the states will say, "Why would I give UK chartered accountants access when I can't have somebody who's qualified in Illinois able to provide accounting or legal services in New York because of the Bar system?" I can understand why it is a really difficult thing to unlock.

Q32 **Baroness Kingsmill:** My takeout of much of what you have been saying is that there is only a marginal benefit to the UK as far as accession is concerned. Would that be correct?

Sally Jones: From a pure trade perspective, yes. There is a wider point about the messaging it gives out to the rest of the world about being open for business, and the geopolitics of the region. The British tilt to the Indo-Pacific makes an awful lot of sense, and you have to look at this deal in the context of everything else that is happening. You have the defence agreements like AUKUS, you have the critical minerals agreements, which are—I am sorry, I cannot think of any other word—critical, and it is difficult to sustain the argument that you can ignore the geopolitics of all this and focus purely on the trade.

Baroness Kingsmill: Yes, I can see that, but just focusing on the trade for the moment, it is relatively marginal. On the other hand, are there any substantial risks that we should be thinking about or looking at?

Sally Jones: It would be very important for the British Government to consult with businesses when it comes to future members that might accede to the CPTPP.

Baroness Kingsmill: In what way? Expand.

Sally Jones: If you look at which countries have applied for membership, you have China and Taiwan separately, which creates its own tension. You have a whole bunch of South American countries, which at least have a Pacific coastline, which is more than we have, so fair play. Then you have Ukraine and South Korea. In that mix, there is an awful lot of opportunity for friction to emerge, and British business will want to express its views to the Government as to whether it wishes to trigger that friction through accession conversations or not. That is it.

Baroness Kingsmill: I imagine that being late to the party has also given us a bit of a disadvantage in that sense, because relationships will have been, if not set in stone, at least established.

Sally Jones: And, as Kate said, it is not the right time to be throwing our weight around either.

Baroness Kingsmill: No, quite.

Q33 **Lord Howell of Guildford:** Beyond all this, there are other networks arising in Asia. There are huge new projects linking Russia and Mongolia, and Japan and China, with infrastructure on a colossal scale. What do you see as our next steps after this one? Might we turn to thinking of joining RCEP or some of these other organisations? They are springing out like mushrooms, and we need to be involved, do we not?

Sally Jones: I am not an expert on the geopolitics of the Indo-Pacific region, but, as a more general comment, I would prefer to spend more time at the WTO and make it a fully functioning organisation. But that is a very personal view, and others will take a different approach.

Lord Howell of Guildford: That is a very good point.

Kate Foster: My instinct would be not exactly the same; it would be to concentrate on the trade agreements we have and to make them work.

Sally Jones: Implement them properly.

Kate Foster: Yes, quite.

The Chair: Lord Howell, did you want to ask further about the geopolitical benefits and so forth?

Lord Howell of Guildford: No, I think they are just giving a flavour of where we are going in Asia. It is very clear where your instincts lie, which is generally in restrengthening the WTO and getting it back in pole position again, and seeing a resumed expansion of global trade.

Q34 **The Chair:** Working on the individual agreements we already have is another point.

Our evidence session is almost coming to a close, but are there any other points that either of you would like to bring to our attention so that we can bring them to the attention of others?

Kate Foster: At the risk of sounding like a broken record, the only other additional comment I would make is about guidance and export supports, and really helping businesses to make use of the agreements we have.

Baroness Kingsmill: And to wind up the administrative support?

Kate Foster: Yes.

The Chair: You said that you had raised this with government.

Kate Foster: Yes, we have.

The Chair: What is its response? Is it, "Yes, we're doing it", or, "No, we don't need to", or is it just not listening?

Kate Foster: It depends who you speak to. No, we have been working very closely with DBT over the last few years, and we have been listened to. We had the launch of the Export Support Service. There has been a lot of work going on, particularly on FTA promotion, which we have been really pleased to see. It is a slow process.

Sally Jones: I would build slightly on that and say that our experience of the UK's overseas embassies and missions is that they are fantastic diplomatic resources, and great if you lose your passport, but the officials are not incentivised to promote British business in the same way that officials from other countries and other missions are. We could get some really quite differential outcomes if all the officials in our embassies and missions were put on some form of business and commercial awareness training, so that they could look out better for opportunities for Kate's members or, indeed, for investment.

It seems to me there is almost a blind spot as to the fact that we have to work really quite hard to sell our products and services and that they are not flying off the shelves in the way they were perhaps 50 years ago. The embassies and missions could play a real role in helping to promote British business in a way that happens much better in other countries.

The Chair: If there was a comparison with another country that is doing that very well, would you identify such a country? It is interesting to know what it is doing that we are not doing.

Sally Jones: Anybody else.

The Chair: That is a clear enough answer.

Sally Jones: Again, it is anecdote, it is not data, but we did a project where we were asked by our client to consider various locations where they could put a new factory in a really quite critical supply chain. They said, "Look, we could come to the UK, we could come to Germany, we could come to the US, we could come to Malaysia. Those are the countries that we're looking at. The Malaysian Foreign Minister has given us his personal phone number so that we can ask for anything, day or night. The US is asking us which incentives we might like in order to build the factory in the US. Germany has man-marked us so that we have somebody on the ground in our home country and someone on the ground in Germany, and the UK invited us to a drinks reception three years ago but we have not heard from them since". That is the scale of the challenge in how business-aware some, but not all, of the missions and embassies are.

The Chair: You paint a depressing but very clear picture. Is there anything else that either of you would like to add before we give our thanks and you leave us?

Sally Jones: Not from me.

Kate Foster: No.

The Chair: Thank you very much indeed. That was very powerful stuff that we will have to reflect on and digest. Thank you so much for coming.