



# International Agreements Committee

## Uncorrected oral evidence: Data and digital trade

Tuesday 14 May 2024

5 pm

Watch the meeting

Members present: Lord Goldsmith (The Chair); Lord Anderson of Swansea; Lord Etherton; Lord Fox; Lord German; Lord Grimstone of Boscobel; Lord Hannay of Chiswick; Lord Howell of Guildford; Baroness Kingsmill; Lord Marland.

Evidence Session No. 1

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Questions 1 – 5

### Witnesses

I: Chris Southworth, Secretary General, International Chamber of Commerce; Sabina Ciofu, Associate Director (International), techUK; Séamus Nevin, Chief Economist, Make UK; Dr Emily Jones, Associate Professor of Public Policy at the Blavatnik School of Government, University of Oxford.

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## Examination of witnesses

Chris Southworth, Sabina Ciofu, Séamus Nevin and Dr Emily Jones.

Q1 **The Chair:** Welcome to the International Agreements Committee's inquiry into data and digital trade. We may be a little interrupted by parliamentary proceedings, but I want to thank our four witnesses for coming here. We will benefit enormously, I am sure, from the experience and wisdom they are going to provide to us. I am going to start—

*The committee suspended for a Division in the House.*

**The Chair:** Can I just say some of you I have seen before and I am delighted that, notwithstanding that, you are willing to come back and give us further information.

Members of the committee will ask questions, and I invite you to decide which of you respond. You do not all have to answer all the questions, but if there is something you want to add, please do, because it is important that we get a good response for this inquiry.

I am going to start the questioning, and I want to ask you this; because this inquiry is about data and digital trade, can you tell us how important you think data and digital trade is to our overall trade policy, and how that should best be reflected in international agreements? That would involve also looking at the question of how international agreements and domestic regulation overlap, and the \$64,000 question: how likely is it that a comprehensive WTO agreement on data and digital trade is going to come about?

**Dr Emily Jones:** Thank you, ladies and gentlemen. It is a pleasure to be here. I commend the committee on holding this inquiry, because this is an area that is very important for global trade, and there is relatively little public discussion about it.

**The Chair:** Thank you, Dr Jones.

**Dr Emily Jones:** Let me answer this question of how important it is to start with, and I will then let the others elaborate. We are at a critical juncture where we are seeing a fundamental rewiring of the global economy, with an exchange of data flowing very rapidly across our borders and the use of digital technologies right across the globe. We are particularly seeing an unbundling of services trade. Services used to be very much done domestically, but now, in the area of healthcare for instance, you might have a scan done in the hospital and that scan might be sent to another country for interpretation. So, we are seeing a very rapid growth in digitally delivered services trade and in particular, the outsourcing of services across borders.

It is surprisingly hard to give you numbers on this. The experts have tried to figure out how best to measure and think about it. The OECD is doing the best work in this area, and its measure is of digitally ordered and digitally delivered trade, trade that is really happening, and that is

intermediated by the internet—trade that occurs virtually, for want of a better way of thinking about it.

Its report last year estimated that a quarter of all global trade is digital, but that estimation was based on 2018 data, which indicates quite how challenging it is to measure. In that same report, it estimated that half of all UK trade at that point in time was digital, and that placed the UK second in the world. Part of the reason is that our services trade, or services exports, are very much digitally dependent.

If you look at the ONS—the Office for National Statistics—here in the UK, its estimate last year was that three-quarters of our services trade or services exports are now digitally dependent. Digital trade is really at the core of a lot of what UK businesses do. It is not only the services trade—colleagues will be able to expand on this—it is very important for old-style trades as well, such as manufacturing and agriculture. Just think about how important digital technologies and data are in supply chains globally. On the question of importance, I will leave it there.

**The Chair:** Thank you. Would somebody like to expand on that, as Dr Jones is encouraging you to do?

**Chris Southworth:** Yes, I can jump in. I fully support those comments, and I am going to focus a little on the way we trade and why it is so important. Trade corridors and FTAs are really important, but they have to be seen in a much bigger context. Are they enough in and of themselves? No. Trade is bigger than FTAs, but the much bigger piece here is the trading environment, which is archaic. The Electronic Trade Documents Act has really changed that, and we are now seeing companies able to transact in an hour what would normally take two to three months in a typical trade transaction. Every single buyer and seller is now able to undertake that process in a way that has never been entertained before, with the UK leading the world through G7 and G20.

With regard to the WTO, the answer is yes, we are expecting a pretty comprehensive deal. Will it be everything we want? No, but it will absolutely be an improvement on the 1992 current rule book at the WTO. This is really critical to most of world trade. You have to look at these things as connected. How important is digital trade to the economy at large, the point just made? The big growth and trade opportunity is trading simpler, cheaper, faster, and being aware that we must trade digitally if we want to be sustainable in our global supply chains. Our supply chains and the way we trade are simply not fit for purpose. In order to get the data and the transparency—in order to report better and make better decisions about where that trade is coming from, who is owning it, who is paying for it and where it is going—all that needs to be in the digital economy, in the UK's case, to be a really effective, efficient G7 economy. Every country will be doing this.

So, I would look at FTAs in the context of that much bigger change in the way we trade, which is a big global campaign going on at the moment.

**The Chair:** Thank you. Before I bring others in, I just want to make a declaration of interest because it is the first time you have spoken. I am not sure whether I am a member of the International Chamber of Commerce but I certainly have a lot to do with it because you run some excellent arbitrating services in which I participate.

I am going to go to Lord Howell, and then I am going to go to Miss Ciofu.

**Lord Howell of Guildford:** I just want to pursue the Chairman's second question about how the World Trade Organization fits into all this. One gets a lot of half-completed stories in the newspapers about the difficulties of the WTO, and how it is stymied by resistance from the United States and indeed from the authoritarian countries as well. GATT was really one of the central engines of the post-war trade expansion, but nowadays one keeps on hearing that the WTO is frustrated and so on. What is your take on this? Is there any chance of the WTO playing a role in this area, and if it is being frustrated, what are the chief obstacles we need to try to overcome?

**The Chair:** Which of you would like to respond?

**Chris Southworth:** I am happy to say a word, but Sabina has her hand up, and I am sure she can say a few words about it.

**The Chair:** Okay, Ms Ciofu please, then Mr Southworth can come back in.

**Sabina Ciofu:** Thank you. Yes, what is happening with the WTO is the million-dollar question. I agree, it is definitely going through some tough times, as we have seen at the last ministerial conference and ongoing through almost 10 years now of dispute settlement reform and other major issues that have not been settled.

That said, there is an ongoing negotiation on e-commerce that has been concluded at a technical level. I slightly disagree with Chris, as I do not think it will be exactly comprehensive; that is too big a word for what it will actually be. It will be a global baseline deal on e-commerce, fairly light in substance compared to all our other trade agreements, digital-only trade agreements, and everything else that the UK has been doing, which is to be expected because 90-plus countries are negotiating and they are never going to have the same level of ambition. That said, it is an improvement, and I fully agree with Chris there.

At the moment, we do not have anything. We do not have any form of global deal on e-commerce, any shared definitions, any shared understanding of the rules of the game. So, if it is between nothing and this fairly light deal, we will always take the fairly light deal.

I would also say that the UK Government have been very involved in this negotiation, leading on the data provisions in the JSI on e-commerce, and the difficult negotiations in trying to get a common language on that. Obviously, the final deal is not going to include provisions on data, mainly because of the US walking back on its support for these provisions, but

also because, with or without the US, they are generally difficult negotiating topics. So, it will be a light deal to start with, but hopefully something we can build on in the future.

I would very much commend the leadership of the UK Government in these negotiations, which has been recognised by other partners in countries around the world as well as industry.

**The Chair:** Mr Southworth, you have your hand up—do you want to add to that answer?

**Chris Southworth:** Yes. I would totally endorse those comments. At the moment, the UK Government are probably the most active Government on digital trade. Everywhere we go, the feedback is very positive. It is motivating and inspiring others.

On the point about the WTO, I certainly would not believe what you read in the press, which is often poorly informed. There is a lot more going on behind the scenes than people think, but the WTO is under the same pressures as every other international institution. That is a reflection of national domestic politics, it is not about the WTO in and of itself. It is the members, the Governments who actually run the WTO; they are the decision-makers. The WTO really matters, especially for economies like our own. We have to push this, as a Government and with the support of industry as well, to keep on making the case for why we need to make progress. Can we do huge deals, and is it realistic to expect them? Probably not, in the current political environment, but we have to go for the deals we can get, whether those are plurilateral or trilateral. If we can get multilateral deals, then obviously that is much, much better.

The way to look at it is exactly the way Singapore does; it is the gold standard on digital trade, as is the UK, and Japan too is very good at this. We have to push as hard as we can to get the basic-level standard up, but even then it will never meet our core objectives. We can then use our own bilateral agreements, trilateral agreements or other agreements to really raise the bar to where we want to be. But it is not realistic to think that where we want to be is where the rest of the world is starting from. That is the key dynamic here. You have to look at the WTO in the mix. FTAs are also in the mix. Our overall legal environment is bigger than it all, the Electronic Trade Documents Act is bigger than it all, and that is really important.

Those three legal angles, or pillars, make up the essence of how companies are trading, where they are trading, what they can trade, and it all matters, especially for the UK.

**The Chair:** Let me bring Lord Fox in at this point.

Q2 **Lord Fox:** Thank you. As an aside, it is nice to hear that the Electronic Trade Documents Act is working, because I worked on that one.

Obviously, this is the International Agreements Committee, so we are trying to focus on the role of international agreements in driving this. This

question is really around the effectiveness of the UK Government in their recent post-Brexit agreements. We have seen that the Australian and Japanese agreements are different, and they also diverge somewhat from what the EU would have done. So, can you give us some sense of what, specifically, we are looking for in international agreements, and how effective the Government are in delivering that? What more could be done in future deals, whether they are trilateral, plurilateral, bilateral or multilateral? Most of them going forward will, I guess, be bilateral. Sabina, you have your hand up, so you are walking straight into that one.

**Sabina Ciofu:** I will very quickly answer this question and then let others who have spoken less, or have not yet spoken, contribute.

How effective have the Government been? Given the short timeframe we are talking about, I do not think we could have asked for more than to join the club of countries at the forefront of digital trade policy. Joining CPTPP was a big step towards that. Free trade agreements with Australia, New Zealand, and Japan, which have really good digital trade chapters, was another step towards that.

The final and probably most important steps are digital-only trade agreements. The one with Singapore is the top standard of what is currently available in terms of digital-only trade agreements, the difference being that it is a living document. An FTA needs to be renegotiated; it is complicated. A digital only agreement, however, allows us to have memoranda of understanding and other instruments for governments to keep working together and update the rules as the technology develops.

What I would say about the future is that, as a country, we need to take a pause and look at where we are and what we have done. Obviously, we have reached agreements with very like-minded countries such as Australia, New Zealand, Singapore, and Japan. We have reached the limits with them, and as we are seeing currently in the ongoing negotiations, there are difficulties with some other trading partners. It is a lot more complicated to negotiate digital trade provisions with India, for instance. It is almost impossible.

So, we need to take a step back and look at a broader trade strategy. That has been missing in part because we had to quickly get on the road and get some of these agreements done. But looking forward, we need to develop a consistent trade strategy with clear objectives of where we are going and what part digital trade plays in that.

**Lord Fox:** I am anxious to bring in Séamus. There is always a predisposition around services and data, but of course manufacturing is increasingly part of the data story. I wonder, Séamus, if you could perhaps fill us in on whether that is being recognised within the trade deals at the moment, and how it can be improved or enhanced to support the manufacturing part of our trade element.

**Séamus Nevin:** Thank you to the committee for the invitation to speak; I am sorry I could not be there in person. If I can echo a point Chris made earlier around the role of international trade agreements: they do not necessarily facilitate an increase in trade, but the absence of a trade agreement can certainly act as a barrier.

I would go back to a point raised by Dr Jones about the changing nature of global trade, which is something we are very much seeing in the manufacturing sector in the UK. Manufacturing currently comprises about 9% of GDP, but it increases to about 20% if you include ancillary services, which are increasingly digitally based. Regardless of the merits or whatever chapters might be included in a trade agreement, there is a lesson we need to adopt. This is a learning curve for businesses. Most manufacturers are SMEs that historically considered themselves to be internationally focused prior to our exit from the European Union, even when that has not necessarily been legally the case. There is no technical distinction between trading if you are a member of the EU—as we were previously—selling goods to Sheffield and Stuttgart, but many manufacturers would have considered themselves to be international traders. They now have to learn how to navigate the international system in a way they have not before.

When it comes to the trade agreements that have been negotiated so far, from my experience of speaking with members, it is quite clear that there is a lack of understanding of how to go about international trade; they are having to learn that and almost catch up from a position of being left behind. When you look at the composition of manufacturers in the UK and the fact that the bulk of them are SMEs, they do not necessarily have in-house capacity for this; it is not something they have historically looked at. Big multinationals will have entire divisions devoted to monitoring regulatory changes and informing their business decisions as a result of that, but a little hand-holding is needed.

**Lord Fox:** What form would that hand-holding take, and is that a government responsibility?

**Séamus Nevin:** There is a role for increased stakeholder engagement with business. Going back to the points Sabina made about our defensive and offensive asks in trade negotiations: we do not have a clear strategy at the moment. So identifying where advantages might lie in terms of diverging, for example, from the EU and where it is worthwhile aligning a mutual recognition is important, but also understanding the implications of any regulatory changes as and when they apply to business and ensuring there is a capacity for businesses to be engaged in that process so there is a full understanding.

Some measures are being taken already when it comes to supply chain mapping in the UK—Critical Input's Supply Chain Review is an example of that—but there is room for more. It is quite challenging for businesses, many of which have had to adapt to significant regulatory changes in recent years and doing that on an iterative process going forward.

**Lord Fox:** It would be quite useful if you were able to submit that example of the Supply Chain Review separately.

**Séamus Nevin:** Yes, very happy to.

**Lord Hannay of Chiswick:** I wanted to ask you to expand your responses to cover the relationship with our largest trading partner, the EU, which is, after all, over 40% of our trading goods, a very substantial amount of our trading services, and is composed of 27 countries that are presumably as equally sophisticated as we are in the use of digital tools.

Of course, we are perfectly well aware there is no agreement with the EU about digital trade but there is a ruling by the EU that it accepts our current arrangements as adequate to trade on a level playing field with us digitally, as it were. Could you address that point in your responses to other questions, or perhaps now? Of course, the equivalence ruling only runs for about another year and then has to be reviewed; that presumably is an important element in our trade, given that so much of it is with those countries.

**Chris Southworth:** I can comment on Europe; in terms of the list of agreements Sabina mentioned earlier, I would add the ASEAN Digital Economy Framework Agreement, which is a game-changing agreement. The UK is absolutely at the forefront of advising the ASEAN work.

To come back to supply chains, this is a really important point: we have to keep our exporters in mind. If you talk to the average exporter, at least 30% to 35% of companies consistently complain about bureaucracy, transactional paperwork and friction. The big companies also complain to us about it all the time because it is a huge pain point and has been for a long time. It does not need to be such a pain point if we just put a focus on it.

I do not personally like FTAs because you get into this horrendous conversation around agriculture, public procurement, and really difficult issues that take for ever to agree on. I am much more of a fan of being more agile in the arrangements. There is absolutely no disagreement with China, India, France, Germany or Europe at large on the pain points I am talking about, which is all this friction that we just do not need to have. The legal infrastructure is there. France will have the same laws as us by this time next year, and the standards infrastructure is coming into place now, so we can standardise the data and all move around, which has been a huge issue up to now. We do not have to trade in the way we are trading at the moment.

It is a very interesting point around strategy, which I would agree with. It is a good moment to stand back and pause because it feels like we have backed ourselves up a cul-de-sac and all we can talk about is an FTA. Trade is much bigger than that, and we would win a lot of friends if we just focused on the things they complain about and started to join up the pieces about where we are strong, what we are good at, and how we help those SMEs out in the regions. These are the disincentives, the barriers,



that stop them from trading. When there is a choice, we should not be choosing to have that barrier in place; instead, we should be saying, "Let us remove it. Let us work with the French".

**Lord Hannay of Chiswick:** Thank you, but could I just remind you that the individual member states of the European Union are not capable of negotiating with a third country—us—on their own.

**Chris Southworth:** We do not need to be in that formal agreement. We are already talking to the French. There is no dispute between the French Government, our Government, French industry or our industry on what I am talking about. Think of the food and vegetables coming over that Eurotunnel and Dover crossing between Europe and us; it is in the region of €8 billion, an absolutely huge amount. Looking at the case studies, you do not need to have all the friction and waste associated with food being stuck in trucks and queues. One melon exporter from Brazil to the UK was 15% more profitable by doing what we are saying, which is transact digitally. Why can all our food and drink manufacturers not be doing that with France, Germany and the rest of Europe? There is nothing to stop us from doing it.

**Lord Hannay of Chiswick:** The short answer is that we do not have an SPS agreement with them.

**Sabina Ciofu:** As the Brussels-based person here, I feel a little responsibility to jump in on the EU question. We have a free trade agreement with the European Union, which includes a very good digital trade chapter. The TCA probably has one of the best digital trade chapters that the EU has ever signed; it includes data flows and commitment to them, and it is there to stay.

Obviously, you are talking about the adequacy decision that is coming to a review in probably the first six months of next year. It will very much depend on the outcome of the DPDI Bill that currently sits in the House of Lords. We are going through that process, and that will be closely analysed by the Commission to see if it meets the requirements of adequacy within the first six months of next year before the deadline.

We will have to see how that develops and what the Government will be doing in reaction to the concerns that have been raised by the Commission. Especially around the independence of the ICO, which I am sure you are well aware of, as are we and the Government. We will have to see how that process concludes in the UK and what that means for adequacy as a consequence. But in terms of the actual free trade agreement, it is a very good digital trade chapter. I have not mentioned that in my first comments because you almost tend to take it for granted.

I would also add that we have not seen significant friction in trade with the European Union in digital businesses because of that free trade agreement that has a very strong digital trade chapter. Unlike my colleagues in Make UK and some other sectors of the economy, we have

seen a lot less friction because of that free trade agreement in services and digital.

**The Chair:** That is very encouraging. I want to bring in Dr Jones and then we will move to Lord Etherton.

**Dr Emily Jones:** I wanted to pick up on something Sabina mentioned about where things are difficult at the WTO. One area is cross-border data flows, particularly questions around data protection and privacy, and another set of questions is around the regulation of digital technologies, algorithms and source code and how they should be protected. These are genuinely really difficult questions to answer and to find settlement on. Some areas that Chris is talking about are frankly quite uncontroversial, such as the digitalisation of supply chains, for example. There are areas where we can move forward and other areas that are really difficult.

Coming to the EU question, the EU is regulating very rapidly—as are other Governments—on, for example, AI and data. It has updated GDPR; it has the Digital Services Act and the Digital Markets Act. Governments are moving very quickly to regulate, and the challenge we are going to see is when there is not necessarily coherence or compatibility between these regulatory modes. We need these living documents. It is very hard right now to put regulations on AI, for example, into a trade agreement in binding formal language. We need regulators to co-operate so they are putting things that are compatible into domestic rules so we are not creating friction, and this is where the challenge is. We are used to the free trade agreement mould where we are negotiating hard rules.

To add to our list of places where trade policy is being discussed, the EU and the United States, for example, have a Trade and Technology Council where they are talking and co-ordinating; we should not overlook that aspect.

On the data-flows perspective, it is really interesting that we have taken a very different approach. As Sabina mentioned, there are provisions in the TCA on data flows. The EU in general has allowed itself a lot more scope for intervention when it comes to regulating cross-border data flows. We have taken a different approach: many of our trade agreements now are modelled on the United States approach. There are reasons they both exist, and there are good and bad things about both approaches. The concern I have is whether we have had that proper discussion and really thought through how we want data to be regulated here and to make sure we have had a wider conversation. The point I would love us to come back to is to think about how we do the trade policy-making. I fully agree on the need for a vision and the stock take, but also whose voices get heard and what is the evidence base that we are making decisions on.

**Lord Etherton:** Can I take up this point about the stock take? We have mentioned a number of FTAs that deal with digital trade, and Sabina, I think, said the one with Singapore was probably the purest in terms of digital trade. I wondered whether the Government have, or should have,

a shopping list of things that are desirable in relation to digital trade. If so, where is it and what is in it?

**Dr Emily Jones:** I am happy to come back on that. We did a study last year and looked systematically at all the provisions in digital trade agreements, and it is hard to find any agreement that is more comprehensive than the UK-Singapore Digital Economy Agreement; pretty much everything is in there. However, we do need to ask what the shopping list should be and what it should look like. I would put on where I do not think we are going far enough yet; we could do a lot more around particularly consumer protection and trust in digital technologies and how we regulate them to improve, for example, algorithmic accountability and transparency, and making sure we have provisions in them that are fit for purpose.

The competitiveness of digital markets is a really important area that is being mentioned—credit to the UK-Singapore agreement for mentioning this—but we are seeing that digital markets globally are some of the most concentrated. Another area is making sure the digital markets are really contestable; the Competition and Markets Authority is doing excellent work. There is a real gap in our trade agreements.

**Chris Southworth:** The suggestion of a shopping list is a great idea. I use the Digital Economy Agreement; we are one of the delivery partners in it with Singapore. You would be surprised how sophisticated that conversation is with Singapore; it is second to none. I use that DEA framework as the shopping list, but it is a good point: what is the actual, full shopping list?

I agree with all the comments made. I do not think we should forget that we need to work from the other end, especially with the emerging markets. You can have the longest shopping list you like, but you can only agree what the other side will agree to. We should not forget the ASEAN right now; a lot of ODA and FCDO money is going to support the capabilities of the ASEAN, and that will lead to a really good agreement. It may not be where we want to start from with a full shopping list. If you talk to the ASEAN countries, they have that same ambition, but they are starting from a different place. Yes, have a shopping list, but do not forget that that FCDO development funding, if you like, plays a really important role in building up the capabilities, getting the legal infrastructure into place, getting the standards infrastructure, and getting that baseline environment ready to then grow in years to come.

**The Chair:** Mr Nevin, you have your hand up. Do you want to make a point about manufacturing in that context?

**Séamus Nevin:** Not specifically about manufacturing, but I would agree with the point about a shopping list and knowing what our offensive asks are, but we also need to be aware of what our defensive asks are and what we do not want to lose. We need to remember, of course, that any divergence, for example with the EU, could create internal UK market

friction between Great Britain and Northern Ireland, given the different arrangements for Northern Ireland.

**Sabina Ciofu:** I do not think there is more of a shopping list than we have included in the UK-Singapore DEA, mainly because you do not get more of a like-minded country in this space. The shopping lists of the other countries are going to be slightly shorter than what we can achieve with Singapore.

I would like to pick up on a point that Emily made on algorithmic accountability, source code and the provisions for it, which I know is very much on your agenda as well. There is definitely a lively debate in domestic legislation in policy-making circles and Governments everywhere around algorithmic accountability, algorithmic transparency, the processes, the information needed and so on. We need to think carefully if trade policy is the place to discuss or set the rules for these things simply because algorithms and source code are, ultimately, intellectual property. The fundamental principle in trade is that we never ask for intellectual property in exchange for market access. However, there are countries that do, so we need to be really careful about how we balance out these issues in trade policy and domestic policy in such a way that we do not create precedents for practices in trade that we do not like and that discriminate against our companies. We still need to protect algorithms and source code against being required in exchange for market access and have the conversation about what companies that trade with our market have to do in order to comply with the law in our markets, but we need to be really careful.

**Dr Emily Jones:** Just very briefly, specifically on that point on algorithmic accountability, you are right, Sabina: the question we have to think very carefully about is what trade agreements do and do not do. As you know, the Alan Turing Institute is one of our leading areas of expertise on AI and AI regulation. It has produced a report raising concern about what we are putting in our trade agreements on intellectual property, and it is very concerned that that is making it harder for us to regulate AI. So, the precise point is that we need to have these conversations but also make sure that we have the evidence base.

**The Chair:** Lord Anderson was going to raise the question of the engagement of stakeholders in that.

Q3 **Lord Anderson of Swansea:** From the last conversation, perhaps there is a case about our providing technical assistance in these fields to less sophisticated economies. My question is rather about stakeholder involvement. Mr Nevin talks about a steep learning curve, and there has been a spate of recent agreements either on digital or provisions in wider agreements. To what extent was there stakeholder involvement in the development and implementation of these agreements and is there any evidence that the Government have recognised the case for a wider degree of consultation, perhaps beyond the business interests to include consumer interests, trade unions and others?

**Chris Southworth:** We work with the Government around the transactional trade provision of these agreements, and the Government have been very good at consulting and listening. I will defer to others on other aspects. We have a very close dialogue and we all recognise we need to do more in terms of consultation, but we also do a lot with the key associations and organisations representing SMEs, in particular, to make sure their voices are at the table, and they are doing a good job. That is a good example of how you can do it. Can we be better? Sure, but actually we are better than most other countries that, in some cases, do not consult at all.

**Lord Anderson of Swansea:** Does that extend to consumer interests?

**Chris Southworth:** That is a good question. I am really homed in on the B2B pain point: anyone transacting—buyers and sellers—are feeling exactly what I am talking about, which is primarily B2B. It is not really that focused on B2C.

I would strongly urge everyone to be very careful because this is one of the big delays at the WTO on data. It is being decoupled because we wasted a terrific amount of time by confusing B2C data with B2B data. B2B data is far more important for trade, but B2C data is where all the controversy is. So, to the point about where we make progress, let us make progress in that B2B space where we know it is less controversial and not really political and then let us figure out the rest, which clearly does need a lot more dialogue. It is associated with our own privacy and intellectual property and so on. We have to be nuanced in these conversations around data and then we will make progress, particularly in the current political environment.

**The Chair:** Quick additional comments from Sabina, Séamus, and Dr Jones, please.

**Sabina Ciofu:** On the less sophisticated economies, I really like that point because there is room to do a lot better on our co-ordination of trade and development policy. If we are going to bring a large number of countries in on the digital trade policy journey, especially at the WTO, we will need to co-ordinate how we use our aid money for capacity building in some Governments of these less sophisticated economies, as you call them, but we need to do a lot better on co-ordination of trade and development policy.

On stakeholder engagement, I have been a strong advocate for having all possible stakeholders involved in the conversation from the very early days of stakeholder engagement where only businesses were on the table. There has been enormous progress in that space with more people involved in the conversation now than they were in the beginning of developing policy, such as civil society, trade unions, think tanks and academics. In terms of developing policy, the Government have done a really good job, especially the digital trade team in DBT that have been very good at making sure we are all on top of what is going on and consulting along the process.

The implementation is maybe slightly less. It took them a long time to figure out how to set up an FTA utilisation team and then what to do with that team. We were very much in a race of signing trade agreements but then there was not really a process for how to implement them and involve stakeholders in that process and make sure companies were actually taking advantage of them. So maybe we could have done better there, but we are definitely making progress now.

**Séamus Nevin:** I would echo what Sabina has just said. I would like to add that there has been good engagement with business representative groups, but it has often been while negotiations were already under way. There is room for those discussions to take place before negotiations happen. There is also room for improvement in terms of cross-government co-ordination. There have been occasions I am aware of where one government department has been pulling in the opposite direction in terms of domestic policy to another government department's negotiations with regard to a trade deal. There is no point in trying to target growth in a particular area of our economy domestically if we are then potentially giving away access that might undercut businesses here domestically in a trade deal.

**The Chair:** I am getting nods around the room for those remarks. We will move on to a question from Lord German, please.

Q4 **Lord German:** I would like to look at some issues which have already been discussed and try to pull them together. Having conversations, IP, living documents, B2C—all of these things are about trying to create a balance. So, looking forward to trade agreements that we might have in the future and dealing with data flow issues, how is it possible to bring into balance the need for data to properly flow with our need to protect personal data, and our need to protect our adequacy decision from the EU? How do you— I would not say square the circle—get a balance between those three parts that you have all talked about at different times of the discussion so far?

**Dr Emily Jones:** It is a broader question about how we get the balance. I want to just add in that I disagree respectfully with a couple of comments that were made on consultation. We need a robust consultation mechanism which is directly related to the question of balance because we need to have all the expert voices at the table. We need the consumers and trade unions at the table, but we do not have a mechanism for that at the moment. We did have one; we had the trade advisory groups. We had a telecom and technology trade advisory group. There were 22 representatives from industry. In this fast-moving area, we really need to have this space. So, one of the stocktakes has to be how do we do trade policy and decision-making.

The second point is the coherence point. Are we properly making sure that all the domestic regulators are being consulted and that we have coherence? As Séamus said, we have moments when we have tension in the digital trade policy space between the domestic regulators and what is being put in our trade agreements. With regard to here in Parliament, I

was struck that when the UK-Singapore agreement went through the Commons, the DCMS Committee did not look at it. So, again, thinking about how we ensure there is coherence in the scrutiny side as well is really important and then we will get to a balanced position.

**The Chair:** Thank you for making that point. Mr Southworth, you have your hand up, too.

**Chris Southworth:** It is interesting listening to this. It feels like we are having the conversation that we were having back in 2017-18 when we were looking at the most inclusive way of governing trade, and maybe it is a good convergence point to have that conversation again. I fully agree that all voices need to be at the table when you are designing policy overall.

There is a good, practical example of regulatory incoherence at the moment. We are talking to the Government about the fact that, currently, you can transact in one hour, but are then spending six months doing KYC financial compliance checks. What is the point of transacting in an hour and speeding up trade if you are then bogged down in all this regulatory paperwork and bureaucracies? The truth is it is completely unnecessary.

**The Chair:** This is not limited to trade, let me assure you.

**Chris Southworth:** I am sure, but it is a great example of a mismatch. What we need is to do the compliance in two days and transact in one hour; then trade will leap forward immensely. In terms of the future, the political environment is challenging, and that is not going to change. Speaking at a global level, you can see it everywhere around the world. We have to be able to be pragmatic and decouple to some degree what we can do over the short term, the medium term and what we need to be working on in the longer term. I can be pretty confident that we will be having a very different conversation in the way we transact with France and Europe for a start. I will be very surprised if we do not have what they call atomic settlement within a three-year period: where the money is changing hands at the same time as the goods are transacting across the border, which will make a tremendous difference for an awful lot of exporters in the UK. That is a good example of good progress, but AI will be more challenging; the bigger open-source code data sharing will be challenging.

**Sabina Ciofu:** To come back briefly on the question of data flows, privacy and security, this is going to be, and continue to be, a balancing act for Government. They need to figure out economic privacy and security consideration in a way that works and encourages data flows and allows data to flow across borders—which is so important for business—while also making sure citizens' privacy and the security of data is taken into account.

I would say so far so good. We have adequacy with the EU, and we have the UK-US data bridge. We have jumped on board on the EU-US Data

Privacy Framework. We have joined the Global Cross-Border Privacy Rules Forum as well, which is a US, but more global, initiative looking at how we match these different systems and frameworks for data flows. We have also done a lot of work within the G7 under the Japanese initiative of Data Free Flow with Trust. So, the UK is well positioned to be a convener of dialogue on how to get this balance right. Hopefully, we manage to keep adequacy next year and continue this important work that is trying to make these very different frameworks work together as, if you speak to different countries around the world, there are very different conceptions of the world and privacy.

**Q5 The Chair:** One last question for each of you to answer, please. You can keep it quite short because you have been very generous with your time already, and I do not want to take too long. In each of your cases, please tell us what your main recommendation for Government in relation to data and digital trade would be.

**Chris Southworth:** I have already mentioned it: the number one priority right now is the financial regulator, the FCA. If we do not remove that regulatory barrier, we will have real problems in terms of the benefits. It is undermining the Electronic Trade Documents Act 2023 at the moment. So, recommendation 1: we need to have much more regulatory innovation and more permission for the financial institutions, such as the FCA, to innovate, which they do not have at the moment as there is a culture of fear around the regulators. To the point made earlier, we then need to focus on the EU border. We have a golden opportunity to improve EU trade. We do not need the friction. Let us really work on that over the next 12 to 18 months.

**Sabina Ciofu:** If I have to pick one, just to be very short, I will pick regulatory co-operation. We have had an enormous amount of digital regulation coming up around the world in various jurisdictions among countries that are like-minded and share values. We need to do an increasing amount of work over the next five to 10 years to make sure we do not have a huge amount of unintended consequence for trade coming out of this. This may be regulator-to-regulator dialogues, parliament-to-parliament dialogues or Government-to-Government dialogues, but we need to do a lot of work to smooth out some trade barriers that will naturally come up because of the slightly different approaches in digital regulation that we have taken in all these jurisdictions.

**Séamus Nevin:** I would reiterate Sabina's last point and my own earlier points around the need for strategy and the issue around consultation and engagement both with external stakeholders and across government and Parliament as well.

**Dr Emily Jones:** Ditto. We need regulatory co-operation at the international level and much better, higher-quality stakeholder engagement and public policy debate. We also need the evidence making sure we are having those discussions to feed into the international debate.



**The Chair:** There is a high level of agreement, which is excellent. I would like to thank you all very much indeed for your time and for your insights. We will be considering all this and writing our report in due course. Thank you. This concludes this session of the International Agreements Committee.