



International Agreements Committee

Corrected oral evidence: Data and digital trade

Wednesday 16 October 2024

4 pm

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Members present: Lord Goldsmith (The Chair); Lord Boateng; Lord German; Lord Grimstone of Boscobel; Lord Hannay of Chiswick; Lord Howell of Guildford; Lord Udney-Lister.

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Questions 6 - 19

Witnesses

I: The Rt Hon Douglas Alexander MP, Minister for Trade Policy and Economic Security, Department for Business and Trade; Graham Floater, Director, US Services, Investment and Digital, Department for Business and Trade; Baroness Jones of Whitchurch, Parliamentary Under-Secretary of State, Department for Science, Innovation and Technology; Vicki Brown, Head of Data Flows Policy, Department for Science, Innovation and Technology.

Examination of witnesses

Douglas Alexander MP, Graham Floater, Baroness Jones of Whitchurch and Vicki Brown.

Q6 **The Chair:** Welcome. It is very good to see you. Thank you for making the time. It is important that we hear from you today.

This is a session of the International Agreements Committee. It is being televised. You will have a transcript and an opportunity to comment on any of the answers that you give when that becomes available. I will ask members of the committee to declare interests if they think they are relevant or, just to be on the safe side, when they first ask questions. Ministers and your colleagues, thank you very much. I want to start the questions, but do you want to say anything to start off with?

Douglas Alexander MP: That is very kind, Lord Chair. Thank you for those words of welcome. If you will allow me, I will introduce myself, my ministerial colleague and our officials and share a couple of brief thoughts of introduction. Then we will be happy to answer whatever questions we can.

I am Minister of State for trade policy and economic security at the Department for Business and Trade. I am joined today by my ministerial colleague Baroness Jones, Parliamentary Under-Secretary for the future digital economy and online safety, jointly a ministerial position between DBT and DSIT. We are also joined by Graham Floater, chief negotiator for digital trade and director of US services, investment and digital at the Department for Business and Trade, and by Vicki Brown, head of data and trade policy at DSIT.

We are genuinely pleased to be able to offer evidence to your inquiry. To give a few brief introductory thoughts, first, on how we think about digital trade as a Government, it might be helpful to say that we uphold the OECD definition of digital trade as encompassing trade in goods and services that are digitally ordered or delivered, or digitally facilitated by a data flow, so a consciously broad definition is what we use in government. Our working definition of digital trade draws on that broader understanding that all modern trade is increasingly digital.

Secondly, we recognise that the new global economy is itself increasingly digital. Digital trade now encompasses approximately 25% of global trade—around £4 trillion—and is growing.

Thirdly, the UK is at the leading edge of this transformation, with digital trade now representing approximately 55% of our exports, nearly twice the OECD average.

Fourthly, given its central role in the modern economy, digital trade will form a core part of a trade strategy, which I am overseeing, that we are due to publish in spring 2025.

Although the opportunities for the UK are substantial, we must also ensure that our digital trade agreements are founded on trusted data flows and safeguards for citizens, consumers, workers and businesses, and that means trade policy and domestic regulation work hand in hand, so it is very appropriate to be alongside Baroness Jones today.

Q7 The Chair: That is very helpful. My first question was going to be what role digital trade will play in the forthcoming trade strategy, but I think you have answered that to some extent. You may want to add something to it.

Douglas Alexander MP: I will add just a couple of points. Digital trade will be a very significant part of a forward-looking trade strategy. One of the curiosities of the post-Brexit period was that, notwithstanding our departure from the European Union, the previous Government did not publish a trade strategy, so the early work that I am engaging in at the Department for Business and Trade is to try to be clear about what that strategy encompasses.

Broadly, if you look at trade flows post our departure from the European Union, we have underperformed relative to expectations in goods and overperformed in expectations relative to services. There are various explanations for that. One argument is that there was essentially a post-pandemic wave of manufactured goods, which we somewhat missed out on in the UK; we were just not part of those integrated global supply chains, but, given the fact that we are now an 81% services economy in the UK, we are extraordinarily well placed to benefit from the global growth in services, and in that sense digital is a vital and key part both of advanced manufacturing and critically of services, which will be a big part of the coming trade strategy.

Q8 The Chair: Thank you. We very much welcome the thought that there will be a trade policy, because we noted that under the past Administration we were lacking that and were dealing with things on a piecemeal basis. It would be very good to see that.

Turning particularly to digital trade, which is part of the inquiry that we are dealing with, about which you have kindly come to give evidence, what are the opportunities and barriers that you have identified, and, if you can, how will you be addressing them?

Douglas Alexander MP: Perhaps it would be helpful if I contextualised what we have inherited. I am conscious from the previous evidence session, which took place shortly before the election, that there was quite a lot of very well-informed commentary about the previous Government's approach. Incidentally, on the issues of digital trade, while we are working towards developing a trade strategy, there is a broad degree of bipartisan consensus as to what we are aiming to do, so I can assure the committee that we are not anticipating a significant handbrake turn in our approach either to how to benefit UK businesses or to the significance that digital trade will play.

The United Kingdom has signed five free trade agreements with a strong focus on digital trade with Japan, Australia, New Zealand, the EEA-EFTA agreement and, most recently, the CPTPP. We will be acceding to the CPTPP in December, and in that sense those are the FTAs. In addition, there have been two digital trade agreements, one signed with Singapore, which in many ways is at the very cutting edge of a lot of the work we are doing on digital trade, given the complementarity of our economies; and a digital trade agreement with Ukraine, which reflects two pieces of thinking of the previous Government that we would endorse. First, we want UK business to be able to support the post-conflict reconstruction of Ukraine; and, secondly, given the physical challenges of the conflict, to enable digital trade is a sensible and pragmatic approach to the challenges being faced.

All too often, discussions of UK trade policy tend to focus only on the FTAs, partly reflecting their salience under the previous Government. I would like to assure the committee that a big part of our focus in relation to digital trade and trade more broadly, when we publish the trade strategy, will also focus on our role within the multilateral system. Digital has been a focus of our multilateral trade policy, and I was pleased that back in July the e-commerce joint initiative statement at the WTO was agreed. In that sense I would be thinking of it in terms of FTAs, digital trade agreements, but a critical role for the multilateral system, and in that sense we have an important amount of work to continue to take forward internationally. Perhaps my colleague Baroness Jones will be able to confirm that we are also working very closely with DSIT because there is a whole number of issues around data adequacy, for example, which are critical to our international engagement but are broadly held domestically.

Baroness Jones of Whitchurch: I can confirm that that is the case. Our DSIT colleagues at both official and ministerial level are working very well together. We are leading a number of the digital negotiations, for which we have a very good international reputation around the world. We are very much developing the expertise on this within the DSIT team and taking the lead on a multilateral and bilateral process in the negotiations that are taking place, which are many—everything from very specific ones at the OECD down to G7 and other negotiations as well.

The Chair: That is very helpful. I am very pleased to hear of this change of approach, Minister, because it is perfectly true that the previous Government were very focused on FTAs as a primary object of trade policy.

Q9 Lord Hannay of Chiswick: I echo that view. It is very helpful that you are bringing in multilateral issues as well. Forgive me if I misheard, but when you listed the bilateral trade agreements you did not include the trade and co-operation agreement with the European Union. I have to say to you that this committee and several others on which I have served find it moderately baffling that we are the only country in the world that seems to have two departments that deal with international trade: one

deals with half of it, the TCA, and one deals with the other half of it. It is not terribly easy to work out. I do not, however, want to push you too far on it at this stage, but there will be a question—the third question—which we will come to, on the very clear interface between the relationship with the European Union and other countries.

Douglas Alexander MP: With the Chair's permission, I am happy to have a first go and then try to answer the third question. Please be assured that the TCA is very much on our minds as part of the broader reset that as a Government we have set ourselves the goal of delivering. It is very striking when you come into office that 47% of our trade is still with the European Union. I mentioned the CPTPP, which, rightly, the previous Government put a great deal of effort into securing, their argument being that we were leaving the European Union and joining the dynamic parts of the Pacific economy. If you look at the numbers and what our economists project will be the potential gain from the CPTPP relative to the loss of leaving the European Union, the loss from Brexit is 62 times greater than the gain from CPTPP. That gives you a sense of magnitudes of scale.

Secondly, you are right to recognise that the reset is fundamental and is shared across departments. The approach we have taken is that Nick Thomas-Symonds in the Cabinet Office will be leading the day-to-day negotiations with the European Commission. We think that it is effective in the UK's national interest to have a single Minister with primary responsibility, but our responsibilities in DBT focus on three particular chapters of the TCA. While in my previous life outside government I was somewhat disparaging of the TCA, given what we had lost, to be fair, on scrutinising the digital element of the TCA, it is to my mind one of the better chapters.

We managed to move the European Union beyond its existing precedents in relation to digital trade in terms of the TCA. That may in part help to account for the fact that services have overperformed relative to expectations, but in that sense I can assure you—if there was an error on my part I apologise—that the TCA is very much in our minds. We are thinking of that, if you like, as a cross-government endeavour being led by the Cabinet Office into which both of our departments are feeding directly.

The Chair: You mention the benefits from CPTPP. You may have seen the report produced by this committee which recognised that in terms of trade benefit it was perhaps limited in numbers, but we saw, from what the Government had told us, other possibilities, including expanding the tilt to a different part of the world.

Douglas Alexander MP: Be assured that we are four-square behind the efforts of the previous Government. In terms of the accession process, I will be travelling to Vancouver for the CPTPP meeting at the beginning of December. In that sense it is in no way to disparage the efforts that were made, but I think it is important that there is a degree of economic

realism as to what the benefits will be to the UK relative to the potential of resetting the relationship with our friends and colleagues in Europe.

Q10 Lord Udney-Lister: Minister, I apologise for not being here at the beginning. I am sure people have said it to you already, but congratulations on your appointment.

I would like to ask you a little about your assessment of the effectiveness of the digital trade partnerships and the provisions in the various agreements.

I would then like to ask a secondary question: what are the lessons learned, and how could they be applied to future agreements? I fully accept that that does not have to be FTAs, because a number of us are rather keen on things like the Singapore agreement, which has all sorts of opportunities. Will some of the good bits be included in future agreements?

Douglas Alexander MP: Do we want the good bits in future agreements? Absolutely, but there are not many countries with a degree of sophistication in their digital trade negotiations equivalent to Singapore, as you describe. As for my learning on coming into the department, truthfully that is at the top of the league in the quality and sophistication of that arrangement.

You ask about the digital trade partnerships. If I recollect, an OECD report published back in September found that digital trade provisions can double the impact of trade agreements, so they are consequential and significant in and of themselves. The same report concluded that the UK's strong performance in digital trade exports was in part driven by "an ambitious digital trade agenda in the United Kingdom's trade and digital economy agreements", so in that sense we have external verification from the OECD that this is deemed to be significant.

Our digital trade agreement with Ukraine in many ways is sui generis, reflecting the very particular circumstances that we have, but, if you look at the FTAs with New Zealand and Australia, candidly there is limited information at this stage as to their effectiveness, although we are working with business at the moment to try to garner feedback in relation to those specific digital trade provisions.

The Chair: Lord Hannay, this brings us to your question. You may feel that you already have an answer, but you may wish to continue with the question in any event.

Q11 Lord Hannay of Chiswick: I do not think I already have an answer, so perhaps I might plunge into it, because it is a rather complex subject. Recognising that the data adequacy ruling by the Commission is not part of the TCA—I am not suggesting for one minute that it is—I imagine you would agree that it is part of a very important chunk of our overseas trade. It is, therefore, crucial to the conduct of that trade via digital means.

I would like you to talk about your approach in supporting cross-border

international data flows—I imagine we are rather in favour of the freest possible flows—and the best way to balance that with the need to secure consumer privacy and data protection. That brings you immediately up against the EU’s data adequacy determination, which was based on the assumption that we offered protection to privacy and data. If I understand it rightly, that comes up for a unilateral decision in a fairly short period. Do you think there is a possibility that in the digital policy we are pursuing with third countries we are at some risk of perhaps cutting across our chances of being ruled by a new data adequacy decision by the European Union? If so, how on earth would you resolve that risk and possible contradiction?

Douglas Alexander MP: Given that this is a DSIT lead, I will allow Baroness Jones to answer and then I will return to the specific question about other international negotiations.

Baroness Jones of Whitchurch: To reassure the committee, retention of the EU adequacy provision is very important to us. When we are developing legislation, as we will be in the data legislation, we are very conscious that we should not do anything to jeopardise our EU adequacy going forward when the EU makes its determination next year. We are already in some discussion with the EU to update it about where our proposals have reached in our own legislation.

My DSIT Secretary of State, Peter Kyle, has met with Commissioner Reynders twice already to discuss this. We are at great pains to reassure them that we would not do anything to put that EU adequacy at risk. So far, nothing has been said to us to make us think that that might be the case, but we are very aware that ultimately this is a decision for the EU, so we cannot prejudge anything. It has its own procedures to go through in deciding whether we meet the criteria for EU adequacy when that comes up for discussion next year.

Lord Hannay of Chiswick: That is very helpful as far as it goes. I took it that you were sharing with the EU the work you are doing on the digital information and smart data Bill so that, if it cleared its throat and said that would cause a problem, you would be hearing about it. I am not saying what you would do in those circumstances because that is probably a bit premature, but you are sharing the work we are doing so that we do not get an unexpected clash of that sort. It would be helpful if you could confirm that.

Apart from that, it seems to me that one of the problems we face with the data adequacy, as you know, is that it is open for challenge by individuals in the European Union taking a case to the Court of Justice, which they did several times with respect to similar decisions taken to the United States and won, and they destroyed two successive agreements between the United States and the European Union, when we were still a member, by such action. This is a tricky area to be in, and I would like your confirmation that you are aware of all the intricacies.

Baroness Jones of Whitchurch: In reference to the particular legislation that is being put forward at the moment, yes, of course, we are updating the Commission on the steps that we are taking. We hope that we have reassured it on the proposals for that. There were, as I understand it, some concerns about the previous version of the data Bill under the previous Government, and we have sought to address some of those concerns. The Bill going forward now has some great advantages for ensuring that personal data is properly protected in the legislation, and it gives the Information Commissioner a much more transparent role, which we hope that it will welcome. It is making it into more of a modern regulatory regime, which hopefully chimes with the EU's ambition in that area.

In the preparatory work for that decision, everything is on course. We are providing all the information that we can. We are having discussions where that opportunity is available to us, and we do not think at the moment that anything we are doing will jeopardise that, but it is of course in the EU's hands for the final decision.

Douglas Alexander MP: Perhaps, Chair, I could build on that point in terms of your earlier query in relation to the FTAs. Exactly as Baroness Jones says, we do not believe that our trade commitments have impacted on the EU's data adequacy decision for the UK, and we do not see at this stage any reason why that would be the case.

I have a couple of other assurances that will hopefully give some comfort to the committee. The EU has found a number of other countries with similar trade commitments on data to be adequate or partially adequate, including New Zealand, Japan and Canada, while of course it is ultimately a choice for the Commission. The UK has also negotiated data provisions in FTAs and DTAs with Japan, Australia, New Zealand, Singapore, Ukraine and the 11 countries of the CPTPP, and this has not affected the EU's decision on data adequacy to date with the EU. Indeed, the UK's FTAs lock in personal data protections to a higher standard than other countries, and on a permanent basis.

Q12 Lord Howell of Guildford: Good afternoon and welcome back. I have a question about digital trade more generally, although we have been talking about the European Union. Do you see the shift in the coming years to be very much in the direction of Asia? Clearly, the EU, as you rightly said, remains a very large market—47%, I think you said—but the trends seem to point towards the vast growth of consumer markets being in Asia. In fact, the general assumption is that in the next 30 years at least 70% or 80% of the total growth in trade of consumer products will be in Asia and not in Europe at all, or even around the Atlantic.

How do you see the organisation and the co-ordination of trade arrangements emerging on the Asian side? Do you have particular ideas about things we should be putting forward? We are coming later to questions about the CPTPP and other organisations, but just give us a feel for how far we should be concentrating on completely new markets and new methods in Asia as well as trying to tidy up the after-flow of Brexit

and all that, which is what the previous Government spent a great deal of time doing.

Douglas Alexander MP: “Tidy up” seems a masterfully British understatement of the challenge in front of us in terms of the reset with Europe. Let me try to answer your question directly. We are four-square behind the previous Government’s efforts on CPTPP. I spoke yesterday morning to senior officials’ groups from each of the countries representing the CPTPP, chaired by Canada, anticipating the meeting that will take place later this year in Vancouver, which I will attend. Last month, I attended the ASEAN economic ministers’ meeting, and we now have participant observer status in ASEAN following our departure from the European Union.

Respectfully, to answer your question, I do not think it is either/or. We want a balanced twin-track approach; we want to reset our relationship with Europe for reasons that I will come on to explain, but we do not want that to be at the cost of building meaningful, effective trading relationships with our friends and partners in Asia-Pacific. One caveat to that is that in both the Asia-Pacific region and the European Union we are seeing a significant and sustained growth in the digital aspects of trade. Particularly on the brief of digital trade, it is a classic example of where one does not need to choose, because in both Asia-Pacific and Europe we are seeing a significant uplift in volumes of digital trade.

In terms of Europe, geography still matters in trade. We are 21 miles away from the continent of Europe, and in that sense there is still an overwhelming body of evidence suggesting that if we were to reset that relationship with our friends and partners in the European Union there are significant economic opportunities available to us. One of my concerns post Brexit has been that a number of small and medium-sized businesses have simply stopped exporting. They have stopped exporting to the European Union because they felt themselves to be buried in new bureaucracy. That has had a chilling effect on their ambition to trade internationally.

None of us has an interest in seeing a more closed British economy moving forward. We are an open trading nation that believes in open markets and the benefits of trade. One of our challenges is how we try to deconflict some of the pressures that we have faced at the border at the channel—digital trade has a role to play there—how we improve the general temper of the relationship with our friends and colleagues in the European Union, and how we work actively to seize the opportunities in Asia-Pacific and elsewhere.

Baroness Jones of Whitchurch: We are talking about trade, and that is the purpose of this discussion, but international digital exchanges are just as much about individual citizens doing online banking and buying online goods. It is not just at a formal business level; there is increasing demand from citizens to be able to trade across borders, and we have to meet that need. It is becoming absolutely a global market. New products are coming on stream all the time and there is demand for science and

technology research. All of that is happening on an international basis. As the Minister says, it is not just about either/or. We have to have policies right across the board for all of that to meet those needs.

Q13 Lord Howell of Guildford: Can I abuse the committee by asking one more almost too embarrassed to ask type of question? Given that digital trade does not meet customs men and frontiers—it does not go through the normal physical frontiers at all—how does one measure efficiently and reliably the vast growth in data transmission and data trade? What are the methods of doing it? Are they ex post? Are they reports of companies? Where do we start in this new world? That is a layman's question, I know, but it is one that you often hear.

Douglas Alexander MP: Simple questions are always the most dangerous. With your permission, I will ask Graham. I asked this morning in preparing for the committee exactly a version of that question as to how we capture the best data to make sure that, ironically, we are using the right data in making judgments about data.

Graham Floater: Thank you. It is a very good question. It is notoriously difficult to measure digital trade, but over the last few years international organisations, the UK and other partners have been working on ways in which we can have a better understanding of digital trade. Those methods include business surveys. It includes an understanding of the volumes of data that are transmitted. There are various other proxies that are used. All of them are not as precise as the estimates that we can calculate from traditional economic sectors and the methodology that we use for those. It is a work in progress. Often, the estimates that we have show a certain time lag, which is why sometimes we can only assess the volumes of trade, or even estimate them, several years after the fact. There are many organisations working on the problem, and we have become, as an international community, better at that, and I think that that will continue.

The Chair: Thank you for that. You said that one way of assessing some of this would be by business surveys. Do you have views on how you test the reliability of information that you receive in a non-mandatory way?

Graham Floater: The methodologies that are developed are standard survey methods by economists and analysts. It is true that one has to bear in mind that these are broader estimates than the more precise data that is collected on actual trade in goods. It is work in progress. It is not precise, but it is a lot better than it used to be.

Q14 Lord German: I am going to ask you about the balance between the UK's right to regulate algorithmic and AI systems with commitments in the FTAs preventing the mandatory disclosure of source code. We have received evidence as a committee that the Government should review their approach to source code provisions to assess whether there is sufficient evidence to merit their continued use in trade agreements. We have a whole host of reasons behind that; they are complex, but they basically say that we do not fully understand how these things are

developing because it is changing and developing as we move forward. What is the right approach, given that we have this dichotomy of what we do here and what we do not want to see done elsewhere? I will come back to the nature of exemptions in a moment, if I may.

Douglas Alexander MP: We seek in our FTAs to retain the policy space to make the right judgments in our domestic regulation, not least in as fast developing an area as the issues in relation to source code and broader conversations in relation to AI. UK source code articles therefore include targeted exceptions to protect the UK's regulatory system, including IP enforcement, competition and providing space for the development of future regulation. We seek to future-proof these agreements such as any future AI regulation. That is much under discussion at the moment.

As the Government develop their approach to regulating AI, we will continue to work with stakeholders to ensure that we try to strike the appropriate balance of, on the one hand, moving forward with FTAs and, on the other hand, recognising that in both how to deal with the issue of source code and more broadly how to deal with the issue of AI we need to retain that policy space.

Lord German: I suppose the question for me is that, if you continue to recognise that AI will develop an understanding of the data pools that they produce and everything else that goes with it, if that is a moving item and you already have existing FTAs with things in place that are concrete anchors, how do you move forward with change continuing in front of you all the time with what the output of the source code—I am talking about AI particularly—will provide us?

Douglas Alexander MP: Specifically, we try in the agreements that have been reached to future-proof those agreements, anticipating that, whether it be AI or, more broadly, source code, those will change and the needs of society and the economy will change as a consequence. Essentially, we endeavour to ensure that they remain fit for purpose for the duration of the agreement, including by securing necessary exemptions to protect the development of UK policy. I feel somewhat humble in offering you this answer, because we are endeavouring to complete FTAs at the moment. Graham, you have been in the lead on this and have explained very clearly to me in recent weeks how we try to maintain that policy space.

Graham Floater: That is right. It fundamentally comes down to ensuring that the provisions have the policy space in place through the right to regulate, and that gives the future-proofing for anything that might occur in the future. We are very much alive to the fact that this is a fast-moving area, and we are very much alive to the fact that some very substantial changes will take place in the future, and those changes are not known. That is why these provisions are very important.

Lord German: Minister, you talked about exemptions. What is the nature of these exemptions in the current regimes that we have, and how

do you approach exemptions in the future in this fast-moving world?

Graham Floater: The provisions that we ensure our trading partners commit to in our agreements provide an open policy space for any of the changes that may occur in the future. It is not specific to any particular technology. It is not specific to any particular change, because obviously we would not be able to predict that. That is in terms of the specific provisions in our agreements on data flows and, more broadly, in the digital sections. Also in our trade agreements, of course, we have an exception for national security, as well as broader exceptions.

Lord German: Do you want to quantify some of the broader ones so that we have them on the record, apart from security?

Graham Floater: The national security exception is very broad itself and covers a multitude of potential policy decisions in the future. It is quite a broad provision that allows for exceptions across a number of different areas. The environment is one. In terms of the generic nature of national security, it covers a very broad range.

The Chair: Going to a slightly topic, I invite Lord Boateng to pick up the questioning.

Q15 **Lord Boateng:** Thank you, Chair. I should first declare my relevant interests. I am a director of an emerging market regulatory advisory company and I sit on the board of a UK-regulated pan-African bank that specialises in trade finance.

Welcome back indeed, Minister. You are drawing on your previous ministerial experience as well. Digital platforms, we know, help buyers and sellers from around the world to meet and exchange goods and services. The advent of digitalisation is particularly important for global value chains in both developed and developing countries. To touch on something that Lord Howell raised earlier, the amount of cross-border bandwidth used, which is one way in which we measure these things, increased by 148 times between 2005 and 2017, so we are looking at a major challenge as well as a major opportunity.

What steps are being taken to ensure coherence between DBT and DSIT, particularly between domestic regulation and legislation and our international trade objectives? Of course, included in those international trade objectives are our development objectives. The FCDO also has a role to play. How are you ensuring that our international trade objectives are supported by and support our domestic regulation and legislation and further our global aspiration? You said—I wrote it down earlier—“We are an open trading nation”, and indeed we are. We are a trading nation that has also committed itself to various sustainability goals. How are you across departments getting coherence in this area?

Douglas Alexander MP: Thank you for your warm words of return and of welcome. I am so old that when I was in Parliament previously I remember reading to my amazement that there were more fixed landline telephone lines on the island of Manhattan than the continent of Africa.

Your broader point on how we increase the bandwidth is one that I have journeyed with, thought about and committed a lot of energy to both in politics and out of politics. Digital connectivity and bridging the digital divide are absolutely critical.

We have some extraordinary success stories, as you know from your own service on the continent. M-PESA, which was introduced by the then Department for International Development, perhaps the most effective example of venture capital funding by any British Government in recent years—£1 million from the Department for International Development and matched funding from Vodafone—is to my mind the archetype of leapfrog technology in the digital space, because once farmers in Kenya got hold of those mobile telephones, they did not need the infrastructure that historically was associated with telephone exchanges, networks and landlines. Honestly, when we made that early-stage investment, we had no idea quite how powerful a tool we were empowering farmers and traders with in being able to get spot prices on a smartphone and creating a digital economy in East Africa. There were particular regulatory features of Safaricom at the time, but there are broader lessons that we need to develop now.

We have moved a long way since those early years, but I have already engaged directly with Anneliese Dodds, who is now Development Minister in the FCDO, asking for her assistance and support as we work cross-Whitehall with colleagues in DSIT and in DBT to frame that trade strategy. When I was previously in government and the Secretary of State at the Department of International Development, I chaired the UK Government's Cabinet Sub-Committee on trade. Even at that time, many years ago, we realised the extraordinary dynamism of trade as a tool of development. I have not lost that learning in recent years.

As we frame the trade strategy, we will have very much in our minds not just the digitisation about which we are speaking today but the development gains that can be secured. We are working closely with the FCDO on the development aspects of the trade strategy. We are working very closely with our colleagues in DSIT on the domestic aspects both in the trade policy and more broadly in the mechanisms of coherence that we are putting in place across Whitehall.

Baroness Jones of Whitchurch: DSIT in particular provides specific policy expertise in areas such as data flows, telecoms and emerging technologies such as AI. The close working is absolutely vital so that we can feed through to our negotiators that this is what the new world is beginning to look at and these are the British technologies that are coming forward that we want to create new opportunities for. That is very much a combined strategy at the moment. At the same time, we have a lot of links into the tech sector. We talk regularly to trade associations such as techUK as well as individual tech companies. I am very pleased to say that it genuinely is cross-party working in the way that we would all want, and it is working very well at the moment.

Douglas Alexander MP: Perhaps I might add a personal note, which may resonate with your experience in government. The structures matter, but the relationships matter more. One of my observations on returning to government is that one of the very few upsides of having been in opposition for 14 years is that the members of the Cabinet know each other incredibly well because they have worked very collaboratively together as the shadow Cabinet. It is not just that we have a joint Minister at DSIT and DBT in Baroness Jones, but in the working relationships between Jonathan Reynolds, Rachel Reeves and Peter Kyle, I am very struck just in the first three months of government as to quite how tight that working set of relationships is. Perhaps over time that diminishes when people begin to think of themselves more in a departmental than in a team sense, but I have been very struck by it in the last three months.

The Chair: That is a very interesting view. This committee from time to time hears quite a lot about stakeholder engagement and criticisms of stakeholder engagement and lack of it—consultation on digital trade objectives, for example. One of the concerns—when Lady Hayter chaired the committee, she was particularly vocal about this—was consumer interests and how those were taken into account, and trade unions and academic experts and consultations. How do you respond to that? Do you have a plan for getting to that level of stakeholder engagement?

Douglas Alexander MP: There is a tactical response and a strategic response. Thinking in terms of how we do this well—I am sure every Government could do it better—will be part of our thinking in relation to the trade strategy, and indeed how we consult and figure out how to take that forward. We are trying to manifest that in the way that we work at the moment. We have placed on record the fact that we are keen to pursue the Gulf Cooperation Council free trade agreement. I have had a round table with stakeholders specifically focused on the GCC. I have also had a UK-EU business round table and a UK-Switzerland business round table in relation to the work that we are taking forward with Switzerland.

Just 10 days ago, I had a meeting with a whole range of civil society organisations, including a number of trade unions. In that sense, we are not waiting for the trade strategy to try to ensure good will and common sense. One of the points that I was keen to emphasise to the round table that we held in the department was to judge us by how we do rather than a legacy perception of how previous Governments have done. We need to earn the good will and trust of trade unionists, academics and people who perhaps in the past have had concerns or issues in terms of how they have been engaged with, but that is very much work in progress as far as the new ministerial team is concerned.

Q16 **The Chair:** I want to ask you a question, and then I will bring in Lord Howell, who has a matter he wants to raise, and then Lord Grimstone. My question is about support for businesses, again a topic that has come up in this committee; for example we referred to it in our report on CPTPP. How do you go about supporting businesses, particularly SMEs? Of

course, our focus is the digital economy, so focus it particularly on that. How do you go about supporting businesses in those circumstances?

Douglas Alexander MP: The most practical examples that I could offer you are probably focused on the Australia and New Zealand free trade agreements because those have been in place and it is work that is under way. We have held a number of events with businesses on the opportunities presented by those FTAs and indeed by the digital economic partnerships that are created. The free trade agreements unit ran an event with techUK on the UK-Singapore Digital Economy Agreement that we spoke of earlier, and we are looking for ways to translate the nature of the free trade agreement in theory into the practice of additional benefits to the UK. In that, I have been given a very clear steer. Indeed, on the day that I was appointed by the Prime Minister, he saw our work in trade as being fundamental to the defining growth mission of the Government.

In that sense, respectfully, under the previous Government, there was a manifesto target to get 80% coverage of FTAs after leaving the European Union. That, frankly, is a number that could not be hit without an FTA with the United States, but none the less they had a goal of very widespread coverage. The new Government are seeking to take a more focused approach that says, "Where does the greatest economic value and benefit to the United Kingdom lie in terms of the balance of our focus in negotiations, and where, having established agreements, can we actually harness and leverage those agreements to the significant benefit of the United Kingdom, and consequently the level of growth in the UK economy?" My hope is that we are taking a pretty instrumental approach to these FTAs rather than seeing quantity as always being beneficial rather than quality.

The Chair: A practical approach as well—

Douglas Alexander MP: Very much.

The Chair: One of the things we saw was that businesses found it difficult to know where and how they should go. There were opportunities but they did not really know how to access them.

Douglas Alexander MP: At the international investment summit on Monday, we had our new investment Minister—I am conscious we have previous investment Ministers with us in the room today—and one of the points that I heard from a number of businesses was the importance, effectively, of a concierge service for major inward investment. If that is the approach that we are taking in relation to inward investment, we also need in our trade strategy—incidentally we are looking at a trade strategy rather than a trade policy strategy—not just to articulate how many FTAs we are looking at, but how we can support British business in trading effectively, and what lessons we can learn both from inbound investment and from other countries on doing it effectively.

Q17 **Lord Grimstone of Boscobel:** First, Minister, I congratulate you on

returning from your sabbatical and for having secured, as I know from personal experience, one of the most interesting and important portfolios in government. You referred earlier to the OECD report, which paints a very positive picture of the UK's work in this area, but, of course, it takes two to tango and it takes two to trade. What mechanisms can we use to increase the take-up of electronic trade with our trading partners, and where there are frictions how do we reduce them? Do we have an almost evangelical mission with some of our trade partners to introduce them to the benefits of digitising trade? As part of that, perhaps you could refer to the Electronic Trade Documents Act, which I know is in its early days. From outside the equation, it does what one would want it to do, but, again, it requires two parties to make it effective.

Douglas Alexander MP: First, thank you for your warm words about my sabbatical. It was a rather involuntary departure, as I recollect, but it is gracious of you to characterise it as a sabbatical.

Are we evangelical? I am not sure that as a Presbyterian Scot I would use "evangelical", but we are certainly enthusiastic, partly because as a largely services-based economy, and indeed having expertise in advanced manufacturing, we have huge equities in the UK in advancing the wave of digitalisation that is sweeping the world. In that sense, it is fair to say—I will probably ask Graham to add from his practical experience of previous FTAs—no country would be in any doubt as to the importance that we attach to the digital chapters of our FTAs, given the character and sophistication of the British economy and the scale of opportunities that lie ahead for us.

You mentioned the Electronic Trade Documents Act. Businesses have reported back that paperwork at the border is one of the challenges that are faced regularly in a number of locations. In that sense, we are looking to what we can use, whether that be something like the single trade window with Europe or, more broadly, the Electronic Trade Documents Act that was passed in 2023, as a way of leveraging more frictionless trade across borders. We are entirely supportive of putting electronic trade documents on the same legal footing as paper documents. We are supportive of the Act that was passed. We believe that, to the Chair's earlier point about the sheer complexity of the FTAs, the Electronic Trade Documents Act can make trade simpler, cheaper and potentially more secure for business in this modern age.

Baroness Jones of Whitchurch: We are hugely blessed in the UK by having the most fantastic science and technology infrastructure, particularly the universities. A lot of the new tech start-ups, the people who want to trade internationally, are able to get that support increasingly from the university sector where they are increasingly giving informed advice to companies that are developing about how to trade on the international level. We have expertise that underpins a lot of the developments that are taking place now. Most universities across the country now have very strong economic support systems in place, which would give a lot of the new tech companies the support that they need.

One of the things that we have not touched on is the need for all that to happen at a regional level, because a lot of this development is happening in London and the south-east, but this Government are very aware of the need to spread the messages and to use the expertise that we have right around the country. Lots of initiatives are happening on that score as well, reaching out to other parts, other regions and the devolved nations to make sure they are fully part of it.

Lord Boateng: I could not agree more with the Minister in relation to her most recent comments. In my experience as a head of mission in South Africa, we had a classic example of what universities can do. The two universities in Leeds, working with the Leeds city government, supported by the then RDAs, established a very effective partnership with Durban that created jobs in both South Africa and Leeds.

There is a problem, and I would be interested in your experience of this, Minister of State. When you left office last time, there was a worldwide network of trade commissioners, and the FCDO was fully staffed in order to meet the aspirations of the then Government. Can you put your hand on your heart and say that you are satisfied with the depth and extent of the FCDO's capacity to participate fully in the aspirations you both clearly have in this area, or in the course of the upcoming spending review will you have to make some bids there?

Douglas Alexander MP: At this point, I should probably plead that I am the trade Minister, not the Treasury Minister.

Lord Boateng: I know that only too well.

Douglas Alexander MP: As you know as a former Chief Secretary, I am sure the Foreign Secretary would be delighted for me to say, "No, it's wholly inadequate, and what the Chancellor in two weeks' time needs to do is to commit huge additional resources to the Foreign Office network".

Lord Boateng: But you get the point.

Douglas Alexander MP: It is a very serious point and I take it very seriously. I am encouraged by the degree of joint working between the FCDO and the Department for Business and Trade. I am conscious also that I am learning in role. When I was last in government, we were still part of the European Union. I participated in the Doha round when I was a Minister, but we were working through the European Commission at that juncture. As part of the trade strategy, we are considering the level of support that we are putting in, to the Chair's earlier point, not simply of how you have as DBT a factory for generating FTAs but how you have a department working closely with FCDO that is laser-focused on supporting British businesses winning new markets, new opportunities and new prosperity.

One of my early impressions is that, if you look at the State Department in the United States and the work of the Department of Commerce, the United States does a very effective job at commercial diplomacy. One of

the aspects of the trade strategy I am already giving thought to is what the additional benefit is to UK plc of focusing on additional free trade agreements, relative to building our capacity for effective commercial diplomacy, and whether we can have in both the FCDO and DBT officials who are basically ready and willing to go to work when a commercial opportunity is identified by British business. There needs to be an unlock in the country of the kind that I am sure you were working on when you were in post in South Africa.

Lord Boateng: That is most reassuring, Chair.

The Chair: Thank you very much. Minister, we invited you until five o'clock. Can you give us just a few more minutes? Both Lord Howell and Lord Hannay want to ask a further question.

Douglas Alexander MP: I am at your pleasure.

The Chair: Thank you.

Lord Howell of Guildford: I forgot in my earlier intervention to declare my interest, Chair, as you require. I am an adviser to Mitsubishi Electric, which of course is an enormous user of data. Lord Boateng's question triggers the one I was going to ask. We are in a revolutionary situation, as has already been confirmed. Do we have the right departmental structure for the next decade or so with which to handle these completely new flows of trade and cross-cutting issues, which are massive? There are rumours even now in the media of fundamental changes in the central machinery of government, including the idea that maybe the monopoly of the Treasury over all budgetary allocation and long-term public infrastructure should be changed.

Lord Boateng: That will be the day.

The Chair: Are you on top of the spending review, Minister?

Lord Howell of Guildford: I am not asking you to give a government opinion, just a personal view. Do we have the right departmental structure for a totally different world?

Douglas Alexander MP: Tempting though it is to offer a personal view of the appropriate machinery of government, that might be my first and last appearance before this august committee.

The Chair: We want you to come back, so we will not press you to answer.

Douglas Alexander MP: Suffice to say, time will tell is the honest answer to your question. Machinery of government changes, while they are above my pay grade in government, is a matter that I am sure the centre and the Prime Minister will give attention to in coming years. In terms of the earlier point that I made, and it is one that I believe very sincerely, relationships matter along with structures, and I am

encouraged by the grit and vision that Peter Kyle, the Secretary of State in DSIT, brings to these issues.

Equally, I am impressed by the depth of domain knowledge that I have encountered in the Department for Business and Trade in both the detail of trade negotiations and an intuitive understanding that a large part of the future is around data flows and digital trade. It is not that we have a structure that reflects diverging interests, with an old-style trade department and a department focused on the new technologies around science. My sense is that in both the Secretaries of State and their respective departments there is a very high level of convergence, so we have very effective collaborative working in the meantime.

Q18 Lord Hannay of Chiswick: You said that a lot of things were going very well and that there were very good connections with universities, with stakeholders and all that sort of thing. Could I ask a slightly mischievous question? Why then are the trade figures not better? They are not terribly brilliant.

The second question I would like to ask you is this. I have not heard a single word about that enormous network of Prime Minister's special trade representatives who were scattered around the world. In a previous committee that I served on we proved, after endless correspondence, completely unable to elicit what on earth they did. Could you tell me what role they play?

Douglas Alexander MP: I do not want to end my appearance on an overtly political point, but I am probably about to do so. One of my observations on coming into office was that the existence of the European Union seemed to be an absence rather than a presence in previous ministerial thinking. As I said to Lord Howell, I think geography still matters in trade. Much of the hyperbole around the death of distance notwithstanding the importance of digital trade is exactly that—it is hyperbole. In that sense, when you arrive in the department and you say, "Who's our biggest trading partner?", the answer comes back from officials, "The United States". You say, "Is it not the European Union?" and they say, "That's not a category that we've been using in recent years". That is evidence of literally on my first day in the job asking for a trade policy that is rooted in reality and founded on data rather than post-imperial delusion.

Respectfully, to the efforts that have been put into the Australia and New Zealand deal, my candid observation is that there is very little that we can do on the other side of the world that compensates for the scale of loss that we have suffered from leaving the deepest, widest and broadest single market of which we have ever been part, which is the European Union. That is why I come back to the earlier observation I made on what our trade strategy will develop in spring next year, which is a twin-track approach. We do not disdain—indeed, we respect and want to work with—our friends and allies on the far side of the world in the Indo-Pacific, but that does not absolve us of the urgent responsibility of improving the trading relationships with Germany, France and the

countries with which we share a continent and geography and whose economic destiny continues to be bound inextricably with that of the United Kingdom.

Q19 **The Chair:** Thank you. We look forward to seeing that fully set out. You have made a very clear point there.

I want to ask one final question if I may and then thank you. Is the recently agreed joint statement initiative on e-commerce at the WTO likely to be implemented? Are there implications for the UK that you can tell us about?

Douglas Alexander MP: The short version of the answer is yes. The slightly longer version is that to achieve that we need first to integrate the agreement into the WTO rulebook. I will be travelling to Geneva next week, which will be followed by each member's domestic process of ratification. After those ratifications, the agreement will enter into force.

Lord Hannay of Chiswick: Will the United States be ratifying?

Douglas Alexander MP: Privileged as I am to speak on behalf of the British Government before you, I am not in a position to speak on behalf of Katherine Tai. As you are aware, we have elections coming in, I think, three weeks in the United States, so I will leave it to the diplomatic representatives in the United States to speak.

Lord Hannay of Chiswick: How would ratification be reconciled with the fact that the WTO no longer has a functioning dispute settlement procedure?

Douglas Alexander MP: As I understand it, there are two issues there. Can the JI enter into the rulebook, and will the United States shift its position in relation to the dispute resolution mechanism within the WTO? As I say, we have a dialogue. I have already met with Katherine Tai since being in office. It is not for me to prescribe the position of the United States Government. I can assure you that we remain fully committed to the WTO; as I said, I am travelling to Geneva next week. I worked very closely with Ngozi when I was the British governor of the World Bank in a previous life and she was Bob Zoellick's deputy, so I look forward to a dialogue with Ngozi as to how we can try to rehabilitate the standing of the WTO in the international community.

The Chair: We welcome that. I will bring this to a close. In doing so, I thank you and your colleagues, particularly Baroness Jones, very much. I welcomed you back to Government outside informally. I want to put that on the record. We are very pleased to see you back and we wish you a very strong tenure. Thank you and your colleagues very much indeed.