



HOUSE OF LORDS

International Agreements Committee

Corrected oral evidence: World Trade Organization

Tuesday 19 November 2024

4.05 pm

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

Evidence Session No. 1

Heard in Public

Questions 1 - 16

Witnesses

I: Simon Manley CMG, Ambassador and Permanent Representative, UK Mission to the World Trade Organization; Claire Vince, Director of Global Trade, Department for Business and Trade.

Examination of witnesses

Simon Manley CMG and Claire Vince.

Q1 The Chair: Welcome, Ambassador Manley, to this public briefing of the International Agreements Committee on the functions of and future prospects for the World Trade Organization. Welcome, also, to your colleague. Members will declare their interests when they speak for the first time during this session. The meeting is being broadcast live via the parliamentary website. A transcript of the meeting will be made available and published on the committee website, and you will have the opportunity to make corrections to that transcript where necessary.

I will start with the first question. I should declare that as a partner in an international law firm I get to deal with a lot of the countries and issues that you have to deal with. The question I want to ask you is general and a scene-setter. Please talk a little bit about the main functions of the WTO and how each of them is performing. I think you will want to tell us what the current state of play is in the WTO, of which obviously we know something. If that is an acceptable starting point, we look forward to hearing your response.

Simon Manley: Thank you, Chair. It is very good to be here, a real pleasure and an honour. As you probably know, the WTO celebrates its 30th birthday on 1 January next year. It is an organisation that, like many multilateral organisations, faces its challenges now, but if you look across the breadth of its activities, it is still a pretty impressive one. There are various pillars to that.

There is a negotiations function, with a series of multilateral and plurilateral negotiations going on. One of the interesting things about the WTO, as you will know, is that the plurilateral negotiations—that is, negotiations between a subset of the overall membership—take place within the halls of the WTO. They are not taking place next door or in a hotel or some other place. They are taking place within the organisation. We have a series of multilateral negotiations going on, of which the most prominent currently is on fisheries, but we also have a series of very important plurilateral negotiations, which I am sure we will touch upon later, not least on e-commerce.

There is the transparency function and the general day-to-day work of the WTO. It is easy for us to forget how important that day-to-day work is in committees like the Committee on Technical Barriers to Trade where we are able to bring to the committee's attention specific issues that British businesses may face in third countries for their ability to export goods or services or to invest. There is a broad range of work going on at any one time.

Q2 The Chair: You mentioned, rightly I thought, multilateral but also plurilateral. Can you say a bit more about how you see the use of plurilateral agreements to meet the challenges that the WTO, and world trade as a whole, is facing at the moment?

Simon Manley: It is no secret that the multilateral negotiations are hard. At the last but one ministerial conference, MC12, we secured the fisheries agreement, which was a landmark agreement. It was the first time the WTO had done an environmental agreement, the first big multilateral agreement it had done for some years, but it is harder-going multilaterally. That is partly a function of an increased membership. There are 166 members now with a much broader range of interests than the GATT ever had or the WTO had when it was founded in 1995.

I see the plurilaterals as a way of imparting energy and forward momentum to the WTO in areas that perhaps are currently too difficult to do multilaterally, but we are able to take action with a smaller group of countries, although some of the groups are pretty large. The Investment Facilitation for Development agreement, which we agreed upon earlier this year but are still trying to integrate into the broader multilateral framework, includes 126 of 166 members. These are quite broad plurilateral agreements. The other big one for us is e-commerce and 90-odd countries have been participating in that.

These are broad groups of countries, but I think they allow the organisation to maintain momentum and try to push forward in areas that we think are of real utility to the global economy.

Claire Vince: It is important to add that they are not exclusive. The fact that a plurilateral is in place is not then just done. If other countries wish later to be part of that plurilateral, they can, and that is important. It is also important to add that 98% of world trade currently is between WTO members, which is a significant figure.

The Chair: How do external countries join in, if they wish to, where a plurilateral agreement is reached between WTO members?

Simon Manley: They just declare their interests in coming along. In that sense, it is pretty informal. In most of these cases, we are actively encouraging other countries to join. The Investment Facilitation for Development agreement has very much been forged for and with developing countries, particularly LDCs, and I think that is the real strength of it.

Claire Vince: But it is not yet fully integrated into the system, which is the challenge.

Lord Hannay of Chiswick: Could you give us an example of one or two plurilateral agreements that have gone through the full course of approval by the restricted number that joined in and have been integrated into the WTO, so that we know what the specificities of the sectors are?

Simon Manley: It is very nice to see you, Lord Hannay. As some of you will gather, my very first ambassador.

Lord Hannay of Chiswick: I agreed with the Chair that I did not have to declare an interest.

Simon Manley: The best and most recent example is the domestic services regulation, which is now in active use by 50 participating countries. It is a slightly different process from those that we are envisaging for Investment Facilitation for Development or for e-commerce. That was done prior to updating members' schedules. Nevertheless, we found the mechanism on that occasion to transform an effectively plurilateral agreement into a multilateral one, with practical benefits. It reduces trading costs for companies providing services globally.

Q3 Lord Howell of Guildford: Good afternoon. In times past we used to regard the GATT, before the WTO, as a gateway to a new free trade world order, learning the lessons of the 1930s and all the rest, and hopes were very high. It was believed that the WTO would take the good work forward and a free trade world would emerge happily for everybody. It has not happened. What has gone wrong? There is the impression that the WTO is being held up, blocked, bypassed and so on. Can you put a finger on the major causes? Is it America turned sour? Is it that nations are more populist and they all turn inwards? Where would you start in the list of difficulties that now seem to surround the whole WTO order?

Simon Manley: It is a very good question. I do not think we should underestimate the overall health of the organisation. As Claire has said, the overall health in the resilience of the rules and processes remains incredibly important, not least, of course, for British businesses trying to export their goods and services globally.

It is true that the organisation faces challenges. That is partly because the GATT was self-evidently a far smaller group of much more similar economies negotiating with each other. We now have 166 countries, many of them LDCs. There is a much broader range of economic interests, which makes reaching multilateral agreements harder. We are in a period when multilateralism generally faces challenges from geopolitical tensions and the rest of it. There are some quite specific obstacles faced from specific countries to specific agreements within the WTO. We saw it at the last ministerial in Abu Dhabi at the end of February and early March.

There is a series of factors that make it occasionally quite hard going, but I do not think that changes our determination to pursue action within the WTO multilaterally and plurilaterally.

Lord Howell of Guildford: Is it also because the nature of trade in the digital age has transformed almost beyond recognition? Half the world is data exchange, half the world is affiliates trading between each other, half the world is supply chains of immense complexity. Is that also something that gets harder and harder for a central organisation like the WTO to survey and take control of?

Simon Manley: It is a very good question. In some ways I think it offers extraordinary opportunities. If you take the example of the digitalisation of trade, Baroness Jones is going to attend a meeting at the end of this

week in the WTO that looks at the relationship between AI and trade. On the digitalisation of trade, it is interesting from a WTO perspective that potential gains are to be accrued not just by developed economies like our own with strong services sectors but by developing economies. The WTO is doing some really good work alongside the World Bank and others looking at how digitalisation of the services trade, which is part of the complexity that I think you were alluding to, provides extraordinary opportunities for developing countries to leapfrog. An example is a microbusiness in Abuja or in Latin America, where the market that it considers is suddenly transformed. Instead of thinking that your market is confined, generally quite physically, to your local marketplace, suddenly you are selling your goods and services into a global market. You can sell them into Europe and North America.

The complexity you describe also provides real opportunities, and the WTO is trying to see where those opportunities lie and keeps on telling the positive story for developing countries, who can sometimes feel that they have not reaped all the rewards that they would have liked from the WTO, to see where the opportunities lie for them.

Claire Vince: Take the example of the e-commerce moratorium, which is one of the WTO's agreements that all members currently benefit from, although it is a source of tension and not everyone wishes it to continue. That enables digital products to go across borders without taxes and duties put on them. We know that if the moratorium falls, the United Kingdom will be largely protected because of the agreements that we have in free trade agreements with other countries, but if every country that could put duties on did so, the UK would be in a position of costs of about £125 million per annum on digital trade. In developing countries it would be even higher. The estimate is that developing countries would incur something like \$10.6 billion duties on digital products and services.

The important thing here is that countries like India that object to the moratorium would see that the revenues they would accrue from putting tariffs on are not as high as the customs duties they would incur. In fact, we estimate that the customs duties they would incur are 49 times higher than the revenue that they would get. That figure goes up to 160 times higher for Indonesia, which is significant.

Q4 Lord German: I turn to what the UK Government see as their priorities for the WTO and how they are delivering them. Can I take it that we are still, as a country and as a Government, remaining an advocate of free and open trade? On the crucial thing you just said about multilateralism and plurilateralism—you said that multilateralism is very hard—are the UK Government still working with partners at this level to try to shore up support for multilateralism? What will be the approach to identifying and working with allies to secure the future of the WTO? What do you see as the most effective way of doing this, and does that include the Ottawa Group?

Simon Manley: I can reassure you that we absolutely remain great advocates of free and open trade, because we believe that it is by free

and open trade that we have enabled billions—certainly hundreds of millions—of people to be lifted out of poverty over the last 30 or 40 years. For us, trade and development go hand in hand with our conception of the organisation and its importance. We also remain great advocates of multilateralism. I am ambassador to the WTO and ambassador to the UN organisations in Geneva. I can assure you that on both sides of the job we are great backers of the system, because we also believe that the system is the best defence of free and open trade and the best defence of a rules-based system.

We absolutely have allies in that. I spend most of my days meeting with like-minded countries, which is a remarkable range of countries with whom we work closely in the WTO, including the European Union, partners in the Commonwealth—Australia, New Zealand, Canada and others—and many of the small island states that have the most to gain from free and open trade but also the most to lose from a race towards protectionism.

We are working with them to try to deliver on our priority objectives—a number of things I have referred to already—which are to ensure that we not only see the entry into force of the stage 1 fisheries agreement that we made at MC12 in 2022 but now agree on the stage 2 agreement, ideally next month in Geneva, that we make progress on dispute settlement reform and on the e-commerce joint initiative that is plurilateral, the text of which we consolidated before the summer. The next stage is to maximise the number of participants and then, as for the Investment Facilitation for Development agreement, to see both those agreements enter into the multilateral framework of the WTO to ensure that WTO members can fully benefit from them.

Q5 Lord German: Can I supplement that with the final bit of my question about the Ottawa Group? Is that just a singular opportunity, or is it one of a range of active allies you are looking for?

Simon Manley: You will be glad to know that I am meeting with Ottawa Group ambassadors this very Friday, hosted by my Canadian colleague. It is obviously a key vehicle for bringing together pro-reform, pro-system members of the organisation. We have a few other more informal such gatherings of countries that are determined to defend the system and defend free and open trade.

Claire Vince: It is worth adding from the perspective of the Government that Minister Alexander visited the WTO in Geneva in October. It was his first EU-based overseas visit and this was a significant kind of statement on behalf of the Government. While there, he was very clear that the multilateral system would definitely be a big part of what we are seeking to do in the developing trade strategy, so the commitment is there. It was also reiterated by the Prime Minister this week at the G20 that the UK is a predictable and consistent sovereign actor and one that is committed to the rule of law. I think the Government are out there in supporting collaborative working internationally.

Simon Manley: Baroness Jones of Whitchurch is in Geneva this Thursday as the keynote speaker at a big WTO conference on AI and trade.

The Chair: You told us that she was going to be there. You did not mention that she was going to be the keynote speaker. That is very good to know. Thank you very much for that.

Lord Hannay of Chiswick: On that point of law, if one of the contracting parties of the WTO unilaterally applied tariffs to all the other members without consultation and going beyond the bound rates of their tariff in the WTO, is that consistent with membership?

Simon Manley: I am not a lawyer. It would be up to individual members to bring disputes if they wished to. The dispute settlement body of the WTO, as you might imagine, is a rather busy body these days with members bringing disputes against each other, particularly in the area of regulations on the environment and climate change.

Q6 **Lord Boateng:** I declare my interests as registered in the Register of Lords' Interests, particularly my advisory work on emerging markets and my membership of the board of the oldest pan-African bank in the City of London, which specialises in trade finance.

The World Trade Organization's director-general, Ngozi Okonjo-Iweala, has by all accounts been a champion of sustainable development goals and of the poorer countries in the world and those very much committed to development, as the UK has been committed to their development. She has completed one term as director-general. Nominations have closed and there are no other nominations. May I take it that the United Kingdom Government are strongly supporting her candidacy?

Simon Manley: I think she has been a terrific director-general of the WTO. I have seen a few leaders of international organisations in my 34 years in the diplomatic service and I have rarely seen one as hard-working, as networked and as visionary as Dr Ngozi. I think she has brought great visionary leadership to the organisation. We have backed her bid for a second term. You are absolutely right: there has been a formal process following her announcement that she was willing to stand again, just after the summer. That process is drawing to a conclusion. No other candidates have come forward, as you rightly say. There will be a special meeting of the general council of the WTO at the end of next week, which will hear from the director-general about her plans and proposals for a second term. We hope that on Friday of next week a decision will be taken as to her appointment.

I share your view that one of the things she has brought to the organisation is a real determination to see its role within the overall effort to deliver the sustainable development goals. She speaks of the future of the WTO as being digital, services, green and inclusive. She is constantly trying to put individual bits of WTO, whether that is investment facilitation or work on carbon pricing, within the broader context of how free and open trade can deliver for developing countries, and particularly for the least developed countries, and to identify not just the obstacles

they face but the opportunities that they have to benefit from open and free trade.

Lord Boateng: Thank you very much, Ambassador Manley. I am sure that many members of this committee agree with your view, but following on from Lord Hannay's significant question, should any other nation at this late stage come in and seek to oppose her candidacy, I take it that the UK would be stout and steadfast with continued support for her candidacy.

Simon Manley: I think we have been absolutely clear about our admiration for her and the job she has done. As I say, there are no other candidates at the moment, so we hope that this process will continue to be done by the book, as it has been done all the way through, and that we will see her successfully reappointed by the end of next week.

Q7 **Lord Boateng:** Good. That is reassuring. To what extent will the UK support radical change at the WTO, such as alternatives to the consensus approach? What else can we do to maintain support for global trade rules?

Simon Manley: There has been quite a debate about this, as you might imagine, primarily in reaction to the fact that we did not secure, as we had hoped, agreement to integrate the Investment Facilitation for Development agreement in the framework. We did not, at the last minute, secure agreement to the stage 2 fisheries agreement at the ministerial at the beginning of March. We had a whole retreat on this issue.

Consensus is deeply embedded in the body politic of the WTO. Almost everybody holds very firmly to it as the means by which decisions should be taken. Those of us who believe in the system and wish to see the WTO advance are very clear that consensus is not the same as unanimity, and sometimes some members try to pretend that it is. We are attracted to something that our colleagues from Singapore often talk about, which is responsible consensus—that is, to recognise, when the vast majority of your fellow members support something, even if perhaps it is difficult for you, that you should try to act responsibly to join that consensus.

That is the sort of area that we have focused on. We have had some good discussions, and a lot of work is done about lower-level but important ways to improve the day-to-day functioning of the WTO. I think it is the responsible use of consensus, trying to work those alliances to build support for the measures, but also to keep our eyes on the prize. The extraordinary advantages that can be accrued through measures like the Investment Facilitation for Development, not least for developing countries, is the way to try to progress it alongside the plurilateral initiatives that we are doing.

Claire Vince: It is not about everyone having to be part of it, but that they can allow others to move ahead with something that they feel is of value and benefit. That is not always the case currently, because there are countries that object to particular initiatives and that requires

ongoing negotiation, which is one of the roles of the WTO and Dr Ngozi leads very strongly on that.

Lord Boateng: Thank you both very much.

The Chair: We have not yet talked about appellate procedures. Lord Hannay will now ask a question, I hope, about that.

Q8 **Lord Hannay of Chiswick:** The UK has not joined the interim replacement for the suspended appellate body. Could you tell us why we have not joined it, given the general remarks you have made about our support for constructive behaviour at the WTO? Following on from that question, to what extent do you think there could be progress on some kind of appellate body, even if it perhaps changed a little bit from the rules that were laid down in 1995?

Claire Vince: As our Secretary of State said yesterday, this is a particular initiative that the Government continue to keep under review. The Government's priority is to have a well and fully functioning dispute settlement system. That is careful wording. It does not say the restoration of the system as was. It talks about a system that functions and is accepted by everyone, and that is work in progress.

The UK has been contributing very strongly in thought leadership on some of the points that have been raised by members who do not agree with the current system, and it is continuing to participate in the discussions that are being led out of Geneva on this. The commitment at MC13 was to have a fully functioning system by the end of 2024. That is obviously now challenging, but we continue work and there is commitment to continue that work.

The UK's position on the MPIA, as the Secretary of State said, is that we are continuing to keep it under review. It is the appellate piece of the system and, since the appellate body stopped functioning in 2019, 37 disputes have been brought forward. Thirty of those disputes are currently what we call in the void, and 23 are actively appealed into the void. That means that they cannot progress any further. Seven were carried over from the previous appeal system.

The MPIA has resolved one case in relation to Colombia and the EU and, interestingly, Frozen Fries—that was between members of the MPIA—and another case in relation to Turkey, which is not a member but is using those appellate body provisions.

It remains open to the UK to become a member, to participate in the discussions and perhaps to draw on the systems even if we are not a member, and it is, I think, an active and live discussion within government currently.

Q9 **Lord Hannay of Chiswick:** I would like to ask a follow up question to that. Leaving on one side whether one agrees that we have been right so far not to join the interim replacement body, surely that becomes completely nugatory as a question on 20 January. At that point, will we

change our mind, and will we see that the advantages of an interim replacement body, which will not include all the members of the WTO, would be greater than no body?

Claire Vince: I think it was what the Secretary of State was referring to when he says that it is under active consideration with a decision not reached. It is a decision for Ministers and not one that I can anticipate, however, we do talk to our Ministers about it.

Q10 Lord Udney-Lister: I would like to take you back to something you have already raised, which is the joint statement on e-commerce. It is a three-part question. Where are we with the text—is it finalised? Do you think it will be adopted? If it is not adopted, what will the Government's line be?

Simon Manley: The text was stabilised, which may sound a bit odd, back in June, before the summer. That effectively means that it has been concluded. The proper term that is used is that it has been stabilised. The work at the moment is to see how many of the 91 who participated in that plurilateral exercise now wish to more formally sign up to the text.

The next stage beyond that is, as with the Investment Facilitation for Development agreement, to see if we can integrate it into the WTO's multilateral framework, which is known as annex 4, under the Marrakesh agreement. Our focus, along with that of our allies, of whom we have many—90-odd countries, with over 90% of global digital trade represented—is very much on that bit of it, rather than planning what happens should that not succeed. We think it should succeed.

Claire referred to the e-commerce moratorium. As you may know, Lord Lister, there is a relationship between the two. The joint initiative on e-commerce has different aspects to it, one example of which is the practical measures that would better enable companies to profit from digital trade globally. It is allowing more countries and companies to use electronic contracts, instead of paper ones, to ease global trade.

Within the agreement, there is a permanent ban on the imposition of tariffs on digital transactions. That is, in a sense, an alternative to the e-commerce moratorium which is currently in place and has yet another deadline, in that it will expire unless somehow given fresh life by the end of March 2026, or by the time of the ministerial conference, which is more or less the same.

It is important for us to pursue this joint initiative on e-commerce to give greater certainty to business. Fundamentally, we want to get out of the cycle of whether the moratorium will be extended again. We would like to get ourselves into position where the vast majority of global trade is governed by this agreement.

It is worth saying that, important though the provisions of the joint initiative are as it stands—the Secretary of State and others rightly celebrated its conclusion before the summer—we are not satisfied. We would like to go further. We think there are additional measures that could be taken, whether it be about source codes or data flows, that

would further strengthen the enablers of digital trade. While we are keen to get this first agreement into the statute books, we are mindful that we want to come back to some of these more ambitious proposals, so as to further the cause of digital trade.

Lord Udney-Lister: Where is the opposition coming from on all this? For any country, with any kind of commercial organisation within it, this is the logical way forward. I know there is opposition. I am just unclear where it is coming from.

Simon Manley: There are a few countries that are less keen on it. The opposition, as Claire alluded to earlier, comes in two forms, one of which is a distaste for plurilateral initiatives per se. They think that the WTO should do only multilateral work. At the most extreme, they suggest that there is no effective mandate for these plurilateral initiatives. Certainly, they would argue that the focus should be on multilateral rather than plurilateral.

In our view, as Claire detailed, there is also a misplaced belief in respect of the tariff question; namely, that these countries could find a new honey pot of revenue by slapping tariffs on digital transactions. All the analysis that we have done, and all the analysis any decent economist in the world has done, has demonstrated that the losses that you would incur to your GDP from slapping such taxes on digital transactions are far in excess of any short-term revenue hit that you manage to secure.

It can be quite attractive, if your Minister of Finance says, "I rather like this; please can I have this nice flow of revenue right now". The trouble is that, in 10 years' time, you will live to regret it. I can see some of the politics of that in some of these countries but I agree with you that it is odd. Some of the countries that demonstrate scepticism on both those points are among the most successful digital economies in the world.

- Q11 **Lord Anderson of Swansea:** Ambassador, I have a question on carbon border pricing schemes. First, in the spirit of devil's advocate, do you agree that it is difficult, or you have tried, to be bullish about the performance of the WTO currently, particularly now, given the US position? President Trump damaged the ability of the WTO to function, President Biden did very little to alter this, and now we have the prospect of a further, perhaps more ideological, Trump Administration. On key issues such as the environment and trade, it is clear there are very strong views within the US Administration which are likely to run counter to the spirit of the WTO. What is the prospect of progress, given the expectations about the policy of the new US Administration? Do you have a sense in Geneva of despondency and gloom, generally?

Simon Manley: One is never gloomy in Geneva.

Lord Anderson of Swansea: Not personally, but is there a general view prevailing?

Simon Manley: I would be reluctant to try to make any assumptions about what the next US Administration will do. I am well aware of what

the Republican Party said in the campaign. Let us wait and see what the Administration do.

What I am confident about is the commitment of a wide range of our allies, in Geneva and beyond, to the cause of open free trade and the WTO as an organisation. The support that Dr Ngozi has enjoyed as she has sought her re-election is testimony to that. This is an organisation that our Government are keen to support, and we think it plays a central role in ensuring the open and free trade upon which British firms depend for their prosperity.

Claire Vince: It is it is worth referencing a recent quote by Robert Lighthizer. The former USTR is very hawkish, as we know, on trade issues. He said that no one is advocating walking away from the rules-based system and reverting to the so-called law of the jungle.

Lord Anderson of Swansea: That appears to run counter to President Trump's view that he loves tariffs. All the appointments so far—for example, on the environment—suggest that this is counter to the spirit of the WTO. There are major problems ahead.

Lord Boateng: Quite so, because is this not the same Robert Lighthizer who described the very effective and very good Director-General of the WTO as China's ally in Geneva? Is this the same man? He is hardly anything other than parti pris on these issues and seems very much opposed to free trade as we understand it.

The Chair: You were referring to the last USTR, were you not?

Claire Vince: The former USTR.

Lord Boateng: Robert Lighthizer.

Claire Vince: That is correct.

Lord Boateng: The same one who described the director-general as China's ally in Geneva?

Claire Vince: I note what you are saying, Lord Boateng. The simple point is that we had a hawkish USTR who was not advocating moving away from the predictability and consistency of the trade system, because it is the predictability and the consistency of it that enables progress and growth. Since the WTO came into being in 1995, we have seen that the volume and value of trade has increased by 4% and 6% per year over that period. That is because people know what is happening and there is a certain amount of predictability.

As Simon has referenced, there are tensions. Going back to the point on the environment, that is one of the UK Government's priorities and we know that we have already reduced emissions within the UK from 1990 levels by 50%. We had a target of reducing them further by 60%, by 2035, but the Prime Minister this week at COP said that it needs to be 81%. To reach net zero it would need to be 90% by 2050. The UK

remains committed to there being a global system and we are part of negotiations that are happening and looking at the prospects for that.

Lord Anderson of Swansea: That is for UK policy; we understand that. But the new incoming Administration have appointed a man in that area who is a fracking advocate and likely to open vast tracts of land for mining and so on.

The Chair: The Ambassador has said we really need to wait to see.

Lord Anderson of Swansea: So we are assuming that the campaign rhetoric may not, in fact, come to pass.

Simon Manley: We will work with the new US Administration, as we have worked with every US Administration, as a friend and an ally. We will look to pursue our interests, as I am sure they will be pursuing their own.

Lord Anderson of Swansea: I hear you on that. Is there a risk that a carbon border pricing scheme, such as the one we are introducing, could be subject to a WTO dispute?

Claire Vince: The Government are very aware of that and have been very committed to introducing what we are doing within our WTO and international obligations. That is why there was a consultation between March and June of this year, during which period there was engagement with stakeholders, including developing countries. That is an ongoing dialogue. We remain committed to doing what we need to do but in a way that respects our international obligations.

Lord Anderson of Swansea: We remain committed, but is there a risk, following those consultations, that it will be referred to a dispute mechanism?

Simon Manley: You are right to suggest that a number of these environmental measures have become the subject of disputes. Claire referred to the extraordinary growth in the number of disputes currently on the table of the disputes statutory body within the WTO. Many of them relate to environmental measures in one shape or form, whether that be the Inflation Reduction Act, electric vehicles and so on.

It is indeed true this is an area where countries are very anxious about the implications of national measures that are designed to deal with climate change, biodiversity loss or deforestation and their extraterritorial effects on trade. Claire is right to say that we have been scrupulous in the formulation of the policy to try to ensure that it remains WTO-compliant and in explaining our developing policy to our fellow WTO members, all the way through. We have had three separate sessions with all WTO members, plus separate consultations with them. We have explained at each and every stage how we are developing this legislation and have kept in touch with them to take on board their comments and concerns and to keep them informed of the development of legislation.

One of the issues that developing countries have with other people's CBAMs is that it is hard for them to prepare their exporters for the measures that are coming down the track. They are rightly keen to ensure they are as prepared as they can be to deal with any obstacles. We have worked hard within the teams back in the UK to try to develop something that has the least effect on developing countries' exports.

Q12 Lord Howell of Guildford: There is a very good Trade Facilitation Commission working in the UK that has recently produced an excellent report demonstrating, with immense clarity, that, in modern conditions, piling tariffs on goods is totally self-defeating, counterproductive and shooting many holes in your own foot. Have you read it? Do you see this as a useful bit of ammunition in arguing—it comes down to an intellectual argument—with the American Administration that they are damaging themselves as much as any importers? You need a new Lord Keynes to point out what rubbish most of this tariff protection is. Do you have any thoughts on those lines?

Simon Manley: It sounds as though I should read that report; it sounds rather good. As I said, we believe that open and free trade offers the best route for developing countries to develop in a sustainable and inclusive manner.

Claire Vince: The facts speak for themselves. Since the WTO came into being in 1995, again the average most favoured nation tariff has reduced from something like 13.1% to 8.8% for all countries. The facts are out there, and, as probably this report states—and we will have a look at it—it is hard to argue otherwise.

The Chair: I will just come back to the carbon border pricing scheme that Lord Anderson spoke about. I fully understood the answer that we will explain it fully, but is there a risk—perhaps not by us but by others—that Finance Ministers in some parts of the world may see environmental schemes and tariffs attaching to them as a great way of raising additional revenue?

Simon Manley: There is clearly a risk of cases being brought in this area, and we are already seeing it. I think there is an expectation that this may occur.

More broadly, I chaired the WTO environment committee for a year, and it strikes me that there are two routes here. As the world moves, we hope, towards taking the measures necessary to get us back on track on net zero and biodiversity, you can either litigate your way through this or you can try to look at the rules that you can develop so as to better support countries as they make that transition.

One of the things that Dr Ngozi has brought to the organisation is the argument to say, "Look, why do we not look together, multilaterally, at the ways that we can use trade policy, alongside climate, finance and the rest of it, to enable the transition to net zero, rather than merely just face the litigation that results from it".

Q13 Lord Hannay of Chiswick: Let us get away from the UK, which has not yet got a fully functioning CBAM system. We are in the process of consulting about it, but the European Union has a law on the statute book. Has it had disputes raised against it yet because of that law? Has it been able to satisfy the other contracting parties that the system that it will introduce in 2026 is in full conformity with its WTO obligations?

Simon Manley: There is not yet a formal dispute brought against it, as far as I am aware. A lot of concerns have been raised about the scheme—I think that is a matter of public record—by a number of developing countries. They have raised that in Geneva and in Brussels, during the process. You know far better than me, Lord Hannay, that it is a complex EU process to produce this legislation, and therefore it has been remarkably reluctant to unpick it in any shape or form.

To be honest, coming in after it, we have been able to learn lessons. That is why we have tried to go about this, at least in process terms, in a slightly different way, to try to listen to our developing country fellow members of the organisation as we develop our proposal and to try to take on board some of their concerns as we develop it.

Claire Vince: In response to the consultation that we did, we did get national-level responses from countries that would be impacted, such as South Africa, for example.

Lord Hannay of Chiswick: Would it, therefore, be reasonable to deduce that the fate of the EU CBAM in the WTO, whether or not it is contested as a dispute or whether it is accepted as being consistent, will be a very important precedent for our system?

Simon Manley: I would say to some extent but not wholly. I do not want be too optimistic. We have deliberately tried to frame ours in ways that make it, we hope, more compliant with WTO legislation. Most importantly of all, I think it is, in a very practical way, easier to navigate—

Claire Vince: Also more transparent.

Simon Manley: —if you are a firm in a developing country trying to export your goods or services to the UK.

Q14 Lord Boateng: Do we not in the UK have a better record than the EU in utilising trade in order to promote development? Unfortunately, the EU has in its past, despite Britain's best efforts, utilised its economic partnership agreements sometimes to its own mercantilistic benefit. We get some credit for our genuine commitment to development in trade, do we not?

Simon Manley: I do not wish to comment on the European union's record, but what I can say is that we are highly regarded in the WTO for our commitment on trade and development. We are seen as a country that listens to developing countries, particularly to least developed countries. I think we are a country, or a member, that is seen as putting its money where its mouth is. We support the small states office in

Geneva that enables some of the smallest members of the Commonwealth to negotiate in Geneva and be part of the discussions. We support trade advisers to those missions, so that they can take part in the negotiations, and we help Commonwealth and other LDC ministers attend ministerials. All of that is in support of our general vision that, as I said at the beginning, trade policy is an enabler of a successful, sustainable, inclusive development policy.

Claire Vince: We have expanded our trading preference scheme to 90 countries and continue to invest in aid for trade at a time, arguably, when countries are rowing back, and that is noticed.

Q15 **Lord Howell of Guildford:** We have not much mentioned China. At the moment, China is scaring the pants off the entire British, European and American motor industries, for fear of subsidised vehicles of low quality pouring in and undermining everything. Is China making life impossible at a working level, or is co-operating but somehow not delivering? Do you see any way forward in this whole complex area?

Simon Manley: China is a very active player in the WTO in Geneva. There are many areas where we actually are on the same side of the argument—possibly for different reasons, but we are on the same side of the argument. We are both great advocates of the Investment Facilitation for Development agreement. We both support digital trade.

There are other areas where we speak out. In the trade policy review that we held in the summer, I was very clear on our concerns about the Chinese record on its adherence to the commitments they made upon accession, in particular to areas such as the role of state owned enterprises and the economy—concerns that British investors and British businesses exporting to China confront. There are areas definitely where we can and do co-operate with China, but we do so in a clear-minded way, conscious that it has different interests and of what British businesses tell us about the operating environment in China.

Claire Vince: We do have forms of defence. If there was a surge of very cheap products coming in of any kind, there are trade remedies. There are things such anti-dumping measures that can be placed on those goods.

Q16 **The Chair:** To bring us to a conclusion, I very much appreciate the time that you both have spent with us. We asked you to come because we were concerned. You can tell from the questions there is a concern among the committee about the future of the WTO and all that it represents.

Looking at the future, and the period up to the next ministerial council, which takes to spring 2026, do you envisage that any of the topics that are currently under decision—fisheries, further multilateral agreements—are likely to reach conclusions?

Simon Manley: That is absolutely our intention. We are pressing, along with our allies, for decisions on fisheries and the Investment Facilitation

for Development agreement. We will not cease doing so, and we are using every bit of dogmatic trade craft at our disposal to achieve that.

The ministerial which is due to take place in March 2026 in Cameroon is an important moment for Cameroon and for Africa. The African group sees this as an African ministerial, and is keen that it delivers for Africa on African aspirations for sustainable and inclusive development.

The agreements that we are pursuing—whether that is the Investment Facilitation for Development, which is all about increasing the flow of FDI into Africa, or the fisheries agreement, which is all about trying to ensure the future of sustainable fisheries for African coastal states—are pro-development agreements. We have been right at the heart of the negotiations at MC13 around those development outcomes, and we will continue to be right at the heart of those negotiations as we lead up to MC14 in Cameroon.

The Chair: I will take that as a degree of optimism.

Claire Vince: I think it is important to remember that the Cameroon ministerial conference will come after South Africa's presidency of the G20 next year, which will have a development focus for sure.

The Chair: Do I take that as a degree of optimism?

Simon Manley: I am always an optimist.

Claire Vince: We must remain optimistic.

The Chair: I cannot press you any further on that.

Thank you both very much indeed for your time, and I thank your officials as well, who have supported us. We are grateful for all that help we have had.