

International Trade Committee

Oral evidence: Digital trade and data, HC 1096

Wednesday 27 January 2021

Ordered by the House of Commons to be published on 27 January 2021.

[Watch the meeting](#)

Members present: Angus Brendan MacNeil (Chair); Mark Garnier; Anthony Mangnall; Mark Menzies; Taiwo Owatemi; Martin Vickers; Mick Whitley; Craig Williams.

Questions 33 - 52

Witnesses

[II](#): Diana Avila, Global Head of Banking and Expansion, TransferWise; Nick Ashton-Hart, Special Adviser for Global Internet Policy, International Chamber of Commerce UK; and David Holman, Director, Armour Communications.



Examination of witnesses

Witnesses: Diana Avila, Nick Ashton-Hart and David Holman.

Q33 **Chair:** Without further ado, we will move almost seamlessly onwards to the second panel. In this panel we have Diana Avila, Nick Ashton-Hart and David Holman. I will invite the three of them to introduce themselves on their own terms: name, rank and serial number. I will start with Diana, then Nick and then David.

Diana Avila: Hello, good afternoon. I am glad to be here. My name is Diana Avila and I am head of banking and expansion at TransferWise.

Nick Ashton-Hart: Good afternoon to all of you. It is good morning to me, but good afternoon to all of you. I am Nick Ashton-Hart, the special adviser to the International Chamber of Commerce in the United Kingdom, covering trade and other subjects, and the Geneva representative of the Digital Trade Network.

Q34 **Chair:** I should check, where exactly are you at the moment?

Nick Ashton-Hart: I am in New York City.

Chair: That is not too bad, I suppose. David Holman.

David Holman: Good afternoon, everyone. I am not in New York City, I am in the UK, so local time.

Chair: San Francisco maybe?

David Holman: I wish. No. I am a co-founder and one of the directors of Armour Communications. We are an SME based in the UK with 36 employees.

Q35 **Chair:** Thank you, all three. First I will start with Diana and David. Diana, how do your businesses engage in and/or support digital trade?

Diana Avila: Let me start by clarifying what TransferWise does in general. We are a fintech company that started 10 years ago here in the UK. We facilitate cross-border financial services for customers, both individuals and also small and medium businesses. We enable our customers to send money from one country to the other and also receive, hold and spend their money.

To answer the question: how we engage or facilitate in digital trade? I would say it is both. How do we engage? As I said, we effectively provide this service globally. We started in the UK 10 years ago but now we have expanded to more than 50 countries. We are at present financially licensed and regulated in 12 different jurisdictions around the world, and currently actively working on getting our regulatory licences in five other countries around the world. At the end of the day, what we are doing is also facilitating digital international trade, helping small and medium



HOUSE OF COMMONS

businesses receive their money when they are doing an international transaction.

We have seen this problem of small businesses trying to export or also import and overpaying fees when it comes to receiving their payments in one country and being willing to transfer this money locally to the country where they are incorporated. That is the way in which we facilitate this. We make it simpler for individuals and for small and medium businesses to deal with their finances globally. We also make it not only easier and more convenient but also cheaper and transparent, in the sense that we disclose how much is the cost of moving this money.

For us to achieve this, it requires us going and setting up and getting these licences locally and, of course, dealing with localising our services and adapting to the different regulatory regimes and payment regimes that we will be following in the different countries where TransferWise is operating.

David Holman: We have developed an app to enable messaging and voice and video communications on standard smartphones, I guess similar in function to consumer products like WhatsApp but with the one major difference that it is much, much more secure, you will be glad to know.

Chair: Yes, I was wondering about it, because you seemed to be describing WhatsApp there for a second but, yes, that is fair.

David Holman: Yes. We have servers in the UK that run our cloud and our customers around the world effectively use that cloud all the time that they are using our app. Our customers are typically Government Departments and defence organisations, but increasingly finance-related organisations and in some cases legal organisations. In 2019, in excess of 80% of our revenue was outside of the UK. We are an SME. Our turnover is relatively low. It is £2 million, so 80% is not a great deal, in terms of sterling amounts, but it is a significant part of the effort that we put in. Export is big. It reduced slightly in 2020 for obvious reasons, but it is still significant.

Chair: Thank you. Armour Communications—you may be well-named then for what you are trying to achieve.

David Holman: Absolutely.

Chair: Thank you very much for that. I am going to move now to Mick Whitley, who will be inevitably standing by and unmuted as well. Mr Whitley.

Q36 **Mick Whitley:** Thanks, Chair. This is to all the witnesses. Good afternoon, everybody. What are the main barriers your ICC members encounter when engaging in digital trade, David?

David Holman: Yes, that is a very good question. I guess there are a number, but one of the real challenges for us over the last little while has



HOUSE OF COMMONS

been to get in front of potential customers. Trust is a very important element of selling our services, wherever they are in the world: trust in our software; trust that we will look after their information and data correctly; and trust that we will continue to deliver the functionality and services they need.

In continuing to build this trust, we do rely heavily on partners in some areas of the world. This may be in-country businesses that already have a trading history with our potential customers, but also local Department for International Trade employees, who often have a strong connection to governments and organisations. This is something they do well for us and really help, particularly understanding the culture in different areas. Without that, we would be very challenged in our exporting endeavours, which are a big focus of our activity.

Transacting is relatively straightforward, depending on where you are in the world. With the EU, GDPR I guess is helpful as we do it, although it is a bit of a double-edged sword. In general, the biggest challenge for us over the last year is just not being able to get in front of our customers as often as we would like.

Diana Avila: The biggest challenge for us I would say is the time it takes for us to expand our business, set up locally and get the financial licence. Echoing what David was mentioning around trust, being a financial business, that trust needs to be also backed up by a financial regulator granting us the licence. The biggest challenge is getting in front of the regulator, understanding the regulatory requirements, which will differ from country to country, and then setting up the required type of products and controls and achieving our financial licence, which again is a matter of time. It is something that we have been doing around the world, so definitely we have become much better and stronger and more experienced at doing this, but it is the time that it takes to complete the whole process.

Only once the process is completed are we able to offer this service locally to customers. Then it is also the way in which we facilitate these cross-border financial services for our customers, no matter where they are based or no matter where it is that they need to move their funds or receive their funds.

Nick Ashton-Hart: I would say there are three things. The first is regulatory differences in treatment in jurisdictions, which you have just heard about. Services are very vulnerable to regulatory differences and issues. As tariffs and non-tariff barriers are to goods, which we have seen so much discussed in the press recently after leaving the EU, it is the same effect on services, but it is less visible. There are no queues of lorries, but it means that services are able to export less, with greater friction and more uncertainty, which has knock-on effects.

Secondly, with the digitisation of trade formalities of all kinds for both services and goods, again you see a lot of comment in the press now



HOUSE OF COMMONS

about the issues with paperwork and formalities as goods go across borders. Services suffer from the same thing, but it is not as visible. In goods alone, digitising all of the formalities associated with goods, goods formalities add 10% to the cost of all goods traded across borders, it is estimated. This is a significant impact. Digitising all of this for goods and services will be profoundly important.

In that vein, we talk a great deal about FTAs, but FTAs are only a part of the picture. For example, in financial services—as Diana was just saying—the reason why there is so much transactional volume in financial services between New York and the UK is not because there is an FTA. It is because there are regulatory agreements between New York and the UK that facilitate those transactions. We could have been doing more of those kinds of agreements even without leaving the EU. We should be doing more of them now.

As an example, in the financial services area we have in the order of eight fintech bridge agreements and Singapore has in the order of 28. The first agreement was between Singapore and the UK. We should be looking to strategic sectors to have these kinds of co-operation agreements. They are much easier to negotiate than free trade agreements. They take much less time and they are far less politically difficult.

Q37 **Anthony Mangnall:** I am going to apologise because I have to duck out at 4 o'clock. This is a question for all of you, but I would like to start with Nick on the back of his answer there. How does the movement of data support the digital trade that you and other members on this panel are taking part in?

Nick Ashton-Hart: A great question. The common understanding is that presently digitisation networks are what facilitates about 10% of GDP. This is worldwide. On the most conservative estimates, it is going to rise to 25% to 50% within a very short period of time; 70% of this benefit is to traditional businesses, to bricks and mortar businesses, not to digital firms. Any transaction you can imagine that takes place, from a credit card transaction across borders, is digitised. The extent to which industry has legal certainty about the flow of the data that it sends decreases cost and risk. To see the evidence of this—again using payments as an example—the riskier a jurisdiction is, with respect to data flows, personal data protection and the rest of it, the more payment operators increase transaction costs to cover issues that may arise. There is a direct relationship between the legal certainty that we have with our key trading partners on the treatment of data and the friction that all transactions enjoy, and that friction is definitely turned into costs and reduction of competitiveness for UK firms.

Diana Avila: Speaking of movement of data is definitely key for us in TransferWise, as a financial service for the digital business. Effectively what we do is move data: we move data and we receive data for each of



HOUSE OF COMMONS

the customers that are using the TransferWise service. For us, sending a payment order and receiving a payment is moving data around the world.

What is challenging or key for us is that when we expand to other countries, we encounter requirements for local regulators to hold data locally. In some instances that has become a challenge, when the requirement is setting up physical data centres. We definitely support the UK and other countries moving to accepting data to be held in cloud services. This is where we are going as a financial service provider, and most of the fintechs are going into this direction—instead of a physical data service, we are holding data in cloud-based services.

We welcome countries around the world adopting this and enabling these as the standard for financial service providers. Otherwise, it becomes difficult and complicated for us to segregate that data and for us to be setting up physical data centres around the world. That is one key area when it comes to data.

The second one that I would want to refer to is all the regulations regarding data protection, again, because data is at the core of our business. We have adopted the highest standards for data protection and here harmonisation or standardising the regulatory requirements is also what will enable us to continue expanding. Having these higher standards of the Data Protection Act being reflected in data protection regulations in other countries definitely makes it easier for us to comply with those requirements, because when we go to apply for a new licence that is already something we build to the highest standard and we do not need to start going and localising again, depending on what a specific country is asking for in terms of data protection, which of course we believe should be to the highest standard, considering the use of data and specifically for financial services.

David Holman: This is an interesting one because unencumbered movement of data for us is fundamental to our service, both in the delivery and the business processes that happen prior to the delivery. The web gives us access to a worldwide market and cloud technology allows for lower cost services for those able and willing to share infrastructure.

However—just coming back to some of the points that the last speaker made—there are countries around the world that are unwilling to allow their data—or it is probably more correct to say they are unwilling to allow certain types of data—outside of their borders. For those organisations we end up putting in place what we could call a data centre. In reality, it is a much smaller piece of server infrastructure within their country. It is a far higher cost for them, but it is regulation that they have to comply with. They typically know that if they want to hold data within the borders of their country it is going to cost more.

It is not a real problem for us because we have two different solutions. One is a cloud that can be accessed from anywhere in the world and



another one is: if you do not want to use that cloud, we will give you a very small data centre, but it costs.

There will be certain customers around the world who will not buy from us because the regulation in their country says that they have to keep the data in country and they do not want to pay any additional cost of having one of our data centres in country, but that is just the way it is. Some people can afford our service, some people cannot. We try to make it affordable to everybody but, if local regulation dictates that they need something different, only the ones with the most money will buy.

Q38 Taiwo Owatemi: My question is to all the members of the panel, starting with David because he has briefly covered it. How burdensome is GDPR on businesses engaging in digital trade and how does that compare to other data protections around the world?

David Holman: GDPR is seen as the gold standard around the world, at least in my opinion. It is a bit of a two-edged sword. Our technology has as part of it encryption and therefore, as part of the GDPR requirement, organisations are required to ensure that their data is protected, not just when it is sitting on a device, but when it is being transmitted from one device to another to stop interception.

One aspect I can say to you is GDPR is great news, because our technology supports GDPR and it will help people meet their GDPR requirements. On the other hand, of course we are a business and we like to take account of services, for example customer relationship management technology to hold a database for all of our customers. If we looked at the majority of them, they are cloud services. That is the cheap way of doing it—nothing wrong with that—except these cloud services are more than likely going to be based in the US and there hits our first problem. How do we keep our customers' data on a cloud service, which is effectively a server in the US? Under GDPR we cannot. We have to go into those additional costs, just like some of our customers do when they buy our software, and say, if a regulation that affects Armour says, "You have to protect other people's data," we have to protect it. If that means we need to have a server within our facility, that is what we have to do.

It is a bit of a double-edged sword. Overall, it is probably the professional thing to do so we clearly support it.

Diana Avila: I basically agree with David in the sense that GDPR is the gold standard. As with all new legislation, when it came into force, it took some work from our side and I believe from the industry adapting to these requirements. Now that we have adapted I believe I would stick to what I have been referring to in terms of the importance of having this harmonisation of legislation and requirements globally, because when you adapt to this gold standard and then go to the next jurisdiction in expanding the business, ideally you will stick to the same gold standard



HOUSE OF COMMONS

that has already been adapted instead of adding extra requirements or different requirements.

I would say it is the gold standard. Yes, it took some time and some efforts to get there, but it is the right thing to do. Now that we have done it, ideally we should stick to this harmonised standard when it comes to going to the next jurisdiction.

Q39 Taiwo Owatemi: Just on that point, how would your business be affected if the EU decided not to grant the UK with a data adequacy decision?

Diana Avila: In that case it would definitely add a significant overhead in understanding what adequacy would look like and having to adapt it.

Nick Ashton-Hart: For the reasons you have heard and for other reasons, I do not think it is a question of how burdensome it is. In the execution of it, especially, there are burdens. Adequacy decisions are very slow. A number of developing countries have been waiting very long periods of time for this and they are not the only ones. The administration of it on the EU side is very slow, which is not helpful. I have heard no argument for us not to be a part of the GDPR. Humans rights organisations say yes, business say yes. When civil society, business and unions and everyone else says yes to something, the Government should probably listen because it does not happen that often.

Since we can be in, but we are not in the EU, how can we use our data protection regime as an attraction for companies in other parts of the world to locate in the UK because we are able to make our adequacy system work more quickly without compromising our adequacy with the EU, therefore, making us a destination where companies want to do business, want to open up shop here as a way to participate in the UK market, but also the other markets with which we are associated?

The cloud services point is a perfect example of this. More than 90% of business computing has moved into the cloud. There is not enough focus in trade agreements on how important it is to have provisions that cover cloud services. This is something that has been discussed in the WTO context for a long time, but it could use more focus.

I hope I answered the question by posing a challenge to us as a country to leverage a high standard for competitive advantage. By comparison, if we were to lose adequacy, I believe a lot of companies would move data operations out of the UK. It would be the only logical thing to do. A good friend of mine runs a company that is competitive globally in the music sector, and I had to say to him, "You have to move your data out of the UK before the 31st because, until there is an adequacy finding, you just don't know what your liability is," and he has European operations. We would literally lose jobs if we are not adequate and we would become much less competitive.



Q40 **Mark Menzies:** This is to everyone on the panel. What role, if any, do you think that free trade agreements have in facilitating the extension of your business or businesses more broadly when it comes to digital trade?

David Holman: This is an interesting one. I sat in on the previous session and that was a bit of an eye opener in terms of free trade agreements. In starting off, when I was preparing for this, I thought that the role of a free trade agreement was fundamental to ensuring free flow of data. My opinion has changed slightly after hearing that last session, in that a free trade agreement should not encumber free flow of data. That is a very different thing. You are specifically trying not to stop it as opposed to trying to help it go through because data flows freely anyway. Can it do it legally and in the right regulations? That is my real point of this. Please do not stop that free flow of data and protect it as necessary.

Diana Avila: I would say from our side a couple of things. Definitely focus on data. We have been sharing the acceptance of cloud service providers for holding data and having this standard across different countries, so we don't face the challenge of having to put a local physical data service when going to new jurisdictions.

Secondly, alleviating bureaucracy when it comes to setting up a business in different countries. As a bit of comparison, we know that setting up a company in the UK gets done in one or two days. Going to different countries, sometimes this simple process of setting up an entity takes weeks or months, so finding ways in which there is an easier recognition of beneficiary owners and easier recognition of the different bureaucratic steps to setting up a company is quite basic, but definitely it takes a lot of overhead from our side.

The third point, from a financial services point of view, is building these bridges in which there is opportunity to recognise some of the licensing that we already have in the UK and coming up with some sort of life passporting in which we leverage the existing regulatory licences to start providing some financial services in other countries. For example, this is what we saw in the Japan free trade agreement, but also what we have seen in the agreement with Australia. In both cases, we already have a regulatory licence, which we got a few years ago, but definitely it is the kind of step that will help new fintech companies expand their services faster to these new jurisdictions.

Nick Ashton-Hart: In the larger context, FTAs create regulatory certainty and they make a statement that a country will not choose an unlimited range of options in its industrial policy and be capricious, and that it will live up to the terms of the agreements that it has lived up to. Legal certainty creates positive investment climate. It is a very direct relationship. Legal uncertainty reduces investment. FTAs are valuable in showing a direction of travel how a country views its competitiveness, the kinds of industries that it wants to incentivise and how it supports its own industry that creates a positive investment climate.



FTAs, and also regulatory co-operation agreements are fundamental to this in the same way, because an FTA creates a framework of basic obligations but how that is dealt with on a day-to-day basis is often the regulatory systems that underpin those obligations and facilitates business enjoying the benefits of trade. You do not get the benefits of a trade agreement simply by signing one and putting it into law. You have to ensure that industry knows how to use them effectively, and ensure that the regulatory systems facilitate the objectives of the agreement and the like.

This is going to be one of the key challenges for the UK: how to do this. We do not have a vision for what we want our trade policy to be that is at all granular. It is very high level and not specific enough. We do not have accompanying that the vision for different sectors of how we see the future developing.

Q41 Mark Menzies: What are your views on the digital and data provisions in the recent UK-Japan free trade agreement?

Nick Ashton-Hart: It is interesting. I was preparing for this looking at all these provisions. In some ways, the Japan agreement is less ambitious than the UK-EU agreement. The UK-EU agreement is weak on services. We went from a services single market to a very limited services relationship with the EU.

On data protection, the UK-Japan agreement at 8.80.1 says, "Each party shall endeavour to adopt non-discriminatory practices in protecting users of electronic commerce from personal information protection violations occurring within its jurisdiction". Endeavouring to adopt is not exactly a hard obligation. Others have commented that this is soft enough that it raises some question about how data handled between the UK and Japan would conform to the GDPR, for example. It certainly sets a lower floor.

The other interesting thing is that there is no provision for computer and related services like there is in the UK-EU agreement in Article DIGIT.17. This is important because computer-related services are software data processing and all cloud services. If you imagine any commercial e-mail servers used, for example, you are not connecting to one machine; you are not connecting to one data centre. You are connecting to different data centres in different jurisdictions in the morning than you are in the afternoon, entirely based around what is most efficient to serve you from and the use of the network between you and those data centres at any given time.

Having an understanding on this is as important as telecommunications commitments, and as important as data flow commitments, because more than 90% of business computing of all kinds—traditional and digital—relies upon cloud computing.

Trade agreements create this sort of underpinning that then makes other things possible, but to gain the full benefit of a trade agreement requires



HOUSE OF COMMONS

a continuing process of engagement with industry and society, and continuous regulatory improvement so that you are facilitating the trade that you want to facilitate. It will not happen just by signing an FTA.

Q42 Mark Menzies: That is useful. Moving on, if I can start with David, do the Government's negotiating objectives for digital and data provisions in future FTAs reflect business priorities?

David Holman: That is a very difficult one to answer and you can probably only answer it for any specific business. Nick was just saying that the UK-Japan agreement is a thick document and it takes a while to go through. As an SME, there is a limited amount of time that we can put in to try to understand what Governments are trying to negotiate on our behalf.

What we tend to do is work with organisations like Nick's and organisations like techUK, who represent smaller companies like ourselves and have the expertise and the time to put into those discussions with Government, which a small company like us does not have. We rely on those types of organisations to keep us up to date, and ask our opinions on specific things and specific questions. I am sorry—that is not a direct answer to your question, but that is the way we would do it.

Q43 Mark Menzies: No, that is absolutely fine. Diana, I will just finish off with you because I am conscious of time. Just the same question: do the Government's negotiating objectives, digital and data, for the future FTAs reflect business priorities?

Diana Avila: For us, it is important to have as part of the agenda the configuration for intangible assets as well, as long as in the free trade agreements there is a consideration for intangible services for financial services, for data protection and for sharing data. One more thing that I believe is worth adding is movement of talent—workforce. In our case, we are a global business and, especially now with the pandemic, we have people working here but travelling back to their home country. Therefore, also facilitating this movement for us to attract the right talent but, also, to ensure that people are free to move and spend whatever time they need abroad is also going to definitely facilitate our expansion and growth as a business.

Chair: A very good observation there by David Holman who said that the Government are negotiating trade deals to be used by business such as himself, on their behalf, which is something to bear in mind. The end user of trade agreements are companies, such as we are talking to today and businesses we are talking to today. Before I digress much further, more importantly than digression, I will go to Martin Vickers.

Q44 Martin Vickers: Could we turn to Government support? How well do you feel that our Government supports businesses who are engaged in the digital trade?



HOUSE OF COMMONS

David Holman: Overall, pretty well. I mentioned earlier on that we worked with the Department for International Trade and it has been extremely helpful, as we have built our business over the last few years and continue to do so. It is things like organising missions that go out to country, and introducing us to the local people who can give us the local regulation or the local requirements in their particular market. It organises exhibitions and meetings, and suggests potential partners. Even over this last year, when it has not been so easy to do that, there have been a significant number of webinars that, as a business, not just I but other people within our organisation do listen into and participate in. They are always good value.

From that perspective, I am sitting here saying I have no complaints with the effort that certainly the Department for International Trade is putting in.

Diana Avila: Absolutely. In TransferWise we also feel greatly supported by the Government and specifically we work with DIT around the world, which has specialists in not only the financial area but also the fintech area, which facilitates very much our expansion mission in different jurisdictions. Sometimes it is a matter of getting an introduction with the regulator and going together with DIT, understanding the local regulation, and understanding where the industry is heading what the trends are. Always for us receiving these introductions to the regulator from the DIT definitely helps us to arrive in a better position to start opening up the dialogue, which will then lead us to set up the business locally and comply with local regulations and get the licence.

We have examples around the world where we have been working very closely with a local DIT team to set up meetings, to sort out some issues or misunderstandings with the local regulator, and also to help us to understand the regulatory trends to guarantee some certainty in terms of what is next from a regulatory perspective. They are key in inviting us to this dialogue. Also, as key members of the industry not only in the UK but also in the countries where we are expanding to.

Nick Ashton-Hart: It is an excellent question. On the one hand, as you have just heard, there are quite a few programmes to facilitate the ability of industry to export, to participate in international fora and the rest. It is certainly true that those measures tend to be announced individually and there is something of a patchwork. It does need to be easier for industry to find all the related measures and to be able to then participate in them.

On a strategy and policy basis, we need to have a macro-strategy on digital trade, which is granular enough that everyone understands what it is and that is developed in a participatory way, especially regarding non-FTAs in terms of regulatory co-operation and regulatory objectives in order to facilitate interoperability with other regulatory regimes.



There is not an effective governance mechanism to deal with services-related trade, like digital trade. There is industry participation in the STAG and the TAGs, but that is a very tactical and specific type of engagement that only a handful of those invited to join can participate in. There isn't a wider participation of framework for industry on an ongoing and structured way into: where should we be going, why should we go there and what is the priority? What is the relative priority of going and giving directions? We could definitely use that.

Q45 Martin Vickers: If I stay with Nick for the moment. Within what you describe as "a patchwork", DIT and DCMS last year announced specific programmes and packages to support the digital sector. Did you find those helpful or useful, or did they fall by the wayside?

Nick Ashton-Hart: From our members we have had a good reception to those measures, which Diana just commented on. As part of those measures there was an overall framing of: what is the objective? Similar to my previous point, you have the measures to help industry now and then you have: where is the direction that we are going, why are we going there and who buys into it? That is what we need more of because FTAs—we have seen this with the issues that the fishing industry faces—are politically very difficult. FTAs take a long time; they are politically difficult. They have winners and losers. They have trade-offs because of their breadth. Regulatory co-operation does not have similar dynamics and tends to take less time. In certain sectors it is far more important anyway, financial services being one.

That is the issue: what is the broader agenda; where are we going; why are we going there?

David Holman: I will say something particularly on DCMS. It is pushed to make the UK a data-led economy, as it detailed in the national data strategy. It should be commended. That is a great thing to do. However, we must not forget that in doing so, protection and appropriate use of that data are necessary to ensure that citizens are comfortable with the implementation of the strategy. It is no good having a great strategy if it is unimplementable or fails in its implementation because of other basic things like I have just outlined.

Data losses through negligence or criminal activity—hacking—will inevitably slow the rate at which the Government can proceed and that companies can innovate. One wonders whether to try to get everybody on to a level playing field here, things like international standards in information security, ISO 27001, might not be a bad place to start. You are starting to regulate a little bit in saying, "If you want to take part and share this data, you have to be 27001 approved".

You are going to need something like that. You need to have people both in the UK and around the world having a benchmark level of protection and a recognition that data is important and valuable and should be



HOUSE OF COMMONS

looked after, irrespective of whether it is your data or somebody else's. That is important.

Diana Avila: I would only add definitely it is a helpful step. What we would want to see as well is a push for fair finance. The idea that there is support for small and medium businesses to expand and internationalise their scope and their services is great.

When it comes to something that sounds as simple as a company receiving payments abroad—a company exporting and getting paid locally—there is the issue of transparency and the issue of how much is being overpaid or how much is going into what we refer as hidden fees or fees from banks charging for these FX transactions. Specifically for small and medium businesses that are not sophisticated enough to trade and negotiate with the banks a better FX rate, we would definitely want to see a push for transparency to make these financial services that are required by every company internationalising have rates also at the core.

Martin Vickers: That is perfect timing for me because I have a meeting at 4.30 with the Minister, so apologies if I am dropping out now.

Chair: Make sure you inform the Minister. We will have a far more informed Minister, Martin Vickers, if you do. Moving on to the final area and to perhaps part of the intellectual ballast of our Committee, Mark Garnier, you are standing by.

Q46 **Mark Garnier:** I have absolutely no idea how to respond to that introduction, but it was very kind of you.

Just following on from that last question because it sounds like all of you are very pleased with the service that is being given to you by DIT, and hopefully DCMS as well. I want to focus on your ability to feed into the process in terms of both how you can help the Government to develop products, which will be useful to you, but also, perhaps even more importantly, to the process of negotiating trade deals and what industry wants. Some of you may be aware that there are organisations called trade advisory groups. First, are you aware of those and secondly, are any of you a member of a trade advisory group? Your stunned silence sums it up.

David Holman: For my part, are you talking about trade advisory groups within Government or trade advisory groups external to Government?

Q47 **Mark Garnier:** The trade advisory groups have been set up by DIT in order to engage directly with industry to be able to, in the main, find out what industry's requirements are—clearly your sector of the economy—when it comes to trade deals and what you want to have feeding in. Certain areas have more importance than others, as you can imagine. It is very much DIT/HM Government seeking your advice, but it sounds like none of you have ever come across these.



HOUSE OF COMMONS

David Holman: I am certainly aware of a cyber-based trade group. I was not sure whether it was a trade advisory group, but I am certainly aware of a cyber-security based one.

Q48 **Mark Garnier:** Maybe if I can go through you one by one. The key thing is obviously with any Government trying to develop their policy and the product—which sounds great at this end—the answers you have just given demonstrates to me that DIT understands what it is you need and is helping you across the world, which is great. Do you feel that you get the opportunity to feed back into that, to help develop that product? For example, are there things they are doing that you do not think are that necessary? Are there things they are missing out on, even if the overall product feels fine, are there places they can do better and do you get a chance to feed that in?

David Holman: Yes we do get a chance to feed that in. It has probably been less over the last 12 months for perhaps obvious reasons. I would certainly be very keen to further add where we might like additional support. As a for instance, export licences are something that I know DIT manages and it does a good job. Part of getting export licence approval is that many different Government Departments also have to tick or sign in an appropriate box that they are happy for this technology to be exported.

It is that process of chasing the approval around all of the different Departments that is challenging. They can take six to eight weeks. You may not think that is an awful lot, but for a small organisation such as us, which has already taken all the time to sell the technology, and then has to wait another six weeks before we can deliver it and perhaps another four weeks before we get paid, it could be streamlined a little.

Mark Garnier: It is the Export Control Joint Unit that you are referring to?

David Holman: I am, yes.

Q49 **Mark Garnier:** Have you ever lost any business on the back of ECJU being inefficient?

David Holman: No, I do not think we have lost any business. Business has been delayed, but probably more realistically I should say due process takes a while to go through and, therefore, my expectations of getting it any quicker were a bit unrealistic.

Q50 **Mark Garnier:** You are not the only person to raise that with me today but that is interesting. Diana, do you feel that the Government are in a listening mode—not just the Department for International Trade, but Digital, Culture, Media and Sport, which also looks after data and digital? Do you get an audience with them?

Diana Avila: We are not part of any trade advisory group and we have not been approached, but we would definitely welcome and be happy to



HOUSE OF COMMONS

support and be involved with this. We feel overall that the Government are eager to hear our needs, but at the moment we are not part of any of these trade advisory groups.

Mark Garnier: But when you have suggestions they listen and they respond to it?

Diana Avila: Yes.

Nick Ashton-Hart: It is a surreal situation for me because in other parts of my life I am paid by countries, and even groups of countries, to advise them on their negotiating objectives and digital trade. The country I see the least of in that capacity—even though I have volunteered—is our own. Even when willing to work for free, I do not hear that much from them. I know them all well because I am sometimes sitting in the same room they are with other countries. I am aware of the TAGs and the STAG, but I do not participate in them.

DCMS, in particular, is to be commended because ICC UK have a broad co-operation with DCMS, working to bring business voices into its digital trade agenda. On a broad range of fronts it is extremely productive.

I have said in the past—in previous parliamentary hearings, and we have said corporately—that the way in which consultation works on trade agreements in this country needs a very serious upgrade. The Trade Bill's provisions were woeful on consultation and approval by Parliament of agreements. We are on record as saying that we are not the best in class at all. In fact, some of the worst in terms of consultation processes.

There needs to be some more work in DIT definitely. There is a lot of expertise in the private sector on the detail of trade agreements, and what to negotiate and why and how. There is a good argument for leveraging that skill in individual FTAs, even calling on companies to make comments on drafts of text in specific FTAs where there are choices to be made to see what they think. I hope that the Government choose to be much more proactive in engaging with industry on a quite granular level in their negotiations with third parties, because there is no obstacle to doing that. The Government can consult on any one they want, on anything they wish, including the actual text that they are negotiating. It would be a shame if that is reduced only to a tiny handful of people in one or another consultation body. They should be looking for a broader bench than that, than they have. Of course, the larger question is: what are our overall trade objectives and how are you going to formulate those? We have not had that discussion.

Q51 **Mark Garnier:** That is an important point. To expand on that, you have had a lot of experience with other countries doing trade negotiations, but are those countries that have had a lot of experience of this, bearing in mind that the UK has only been able to conduct its own trade policy in actual terms for 26 days now, although there has been quite a long time in preparation. Within that, it would be very useful to know which bit of



DIT is failing you. Is it officials and the trade policy group, or is it Ministers? I am not asking you to point the finger at an individual, but just in general, which bit would you say is not quite right?

Nick Ashton-Hart: I participate in a correspondence group on WhatsApp of trade experts around the UK, and the DIT does engage with some of us a lot, some of us sometimes—it is ad hoc. You get a sudden call; you go and have a conversation and then you do not necessarily know if anything happened with that conversation or what might have happened. It is quite ad hoc. On one level that is okay, but you are not sure what the overall objective that you are being consulted on is, because we do not have overall objectives. We do not have specific, “This is what we want in every trade agreement.” We have negotiating objectives for individual trade agreements. We do not have negotiating objectives for all trade agreements, except at extremely high level. It is difficult for them until you consult people on the execution of those objectives, if you do not have them, if you only have them on an agreement-by-agreement basis.

I don’t think it is a pointing fingers problem. It is a bigger problem with how that ministry views consultation and dialogue on a continuing basis, and how it chooses people, how transparent it is and the like. It is one thing to run a public consultation on a specific issue—they are quite good about that—but there needs to be a much better macro-vision that everyone buys into and less of a tactical approach.

Q52 **Mark Garnier:** Just to finish off—I am conscious we are running out of time—do you think this is an error of a novice? DIT has only been in existence for four and a bit years now, so, relatively speaking, on trade policy, it is new. We have some experts in it who have been around—Crawford Falconer has been at this type of thing for a long time—but do you think it is just that we are not there yet because we are so fresh at it? Or is it that we are just missing the point of this?

Nick Ashton-Hart: A lot of it has to do with trying to run in 46 different directions at once to agree rollovers of so many FTAs that we were a part of by being a member of the EU and we have had to run catch-up on. It is extremely difficult to imagine any trade ministry doing that. From zero to what it has done is quite an achievement, because it is very difficult to negotiate so many agreements at the same time, even if you are mostly copying and pasting them.

There is a lot to be said for that. How much of it is that versus interest in the broader consultation, it is hard for me to evaluate. The other side of it is: because we are new, we can reinvent the wheel and make a better wheel. The Trade Bill’s consultation and parliamentary oversight provisions are extremely poor; we are not inventing a better wheel in some of these respects. We are inventing a worse wheel than even our trading partners have. I don’t think we need to do that. We need to do the opposite of that, especially because reinventing wheels when we are



HOUSE OF COMMONS

trying to put the wheels on the bus at the same time is just making more work.

Chair: Thank you, panel. I am not sure if that was an evidence session or a seminar. It was very good and very informative. Thank you, Diana Avila, David Holman and Nick Ashton-Hart, for your time today and your expertise and willingness to share with us. That was the end of our first session inquiry into digital trade and data. We have learned quite a lot. I will bring this to a close. If anything occurs to you afterwards, please feel free to write to the Committee with any further details, but we are very grateful for your time.