HOUSE OF LORDS

International Agreements Committee

Corrected oral evidence: One-off session with Secretary of State

Tuesday 24 February 2026

4 pm

Watch the meeting

Members present: Lord Johnson of Lainston (The Chair); Lord Anderson of Swansea; Baroness Anelay of St Johns; Baroness Blower; Baroness Bonham-Carter of Yarbury; Lord German; Lord Hannay of Chiswick; Baroness Lawlor; Lord McDonald of Salford; Lord Stevenson of Balmacara.

Evidence Session No. 1 Heard in Public Questions 1 – 10

Witnesses

I: Peter Kyle MP, Secretary of State for Business and Trade; Amanda Brooks CBE, Director-General, Trade Policy, Implementation and Negotiations, Department for Business and Trade; Kate Joseph, Director-General, Economic Security and Trade Relations, Department for Business and Trade.

Examination of Witnesses

Peter Kyle, Amanda Brooks and Kate Joseph.

Q1 **The Chair:** Welcome, everyone, to this public evidence session. Thank you very much indeed to Peter Kyle, the Secretary of State for Business and Trade. I am also extremely grateful that you have been joined by Amanda Brooks and Kate Joseph. We look forward to hearing their contributions as well.

This could not be a more opportune time for a meeting. Whoever set this agenda obviously knew that we were going to be in the middle of some serious changes in how the world trade system functions. We are going to have a question on US tariffs; that will be the second question. The first question is a bit broader and goes to the core of the activities of this committee, which is the scrutiny of the Government's activities when it comes to arranging free trade arrangements, MoUs and other sector-specific deals.

We have got to quite a good place when it comes to scrutinising FTAs, through an extension of the CRaG process. We have three to four months, also with the Trade and Agriculture Commission report and so on. The issue we have, though, is with your sectoral-specific deals and the MoUs that do not require any CRaG process. I always felt that, as a Trade Minister, having a proper discussion around some of these instruments, promoting them and making sure people were aware of them was an important element of their success. They did not need to be kept secret in the same way that some other international agreements do.

What are you able to do in order to collaborate and co-operate with us more in terms of a slightly longer scrutiny process? Can we have some commitments from your team, maybe from Amanda, in terms of line of sight as to what we should expect over the coming months and year, so that we can engage usefully and ensure we provide good scrutiny for Parliament, but also support you in making sure that we are creating good agreements for the benefit of the UK? I should say, again, thank you very much for appearing in front of us today in what must be an extremely busy day for the Secretary of State for Business and Trade.

Peter Kyle: My Lord Chairman, thank you so much for inviting us to your committee. On behalf of Amanda and Kate, let me say that it is always a pleasure to be here to answer questions, to engage, and to have a conversation about where the Government see trade, where we are placing it, and the opportunities and challenges that we see before us.

I just want to acknowledge from the outset of the hearing that it is the fourth anniversary of the illegal invasion by Vladimir Putin and Russia of Ukraine. You have spoken about a couple of milestones. This is an important one for us, and it is important to mark these moments and to get it on to the record as often as we can, to shine a light on what is happening there and on the Government's response to it on behalf of the United Kingdom.

In terms of the scrutiny of our agreements, FTAs and other relationships when it comes to trade, it comes to the granular nature and the diversity of agreements that we are reaching and engaging in with different countries, at what is a very complex moment in geopolitics and geo-trade, and of course in terms of global defence.

It has been my steadfast view since taking office back in September, so only six months ago, that when I look at the businesses for which government-to-government agreements provide opportunities, at moments of adversity and challenge, many businesses thrive by seeking opportunity amid disruption. It has certainly been my approach to look at the world as we see it.

You made the comment, Chair, about this moment in time that we are meeting today. If we had met any week between now and Christmas, you could have made the same comments. It may not have been because of disruption coming from America; it could have been from another part of the world, but we live in an era that is epochal in the change and waves of disruption that are sweeping the globe. That means that we are not going to have just one formula for trade. We have to be creative. We have to be open to creativity. We have to be open to boldness and seizing opportunities rapidly. We also have to be open to acting with urgency to seize the moment that lies before us.

Regarding Kate and Amanda, and the teams, I have experienced an outstanding set of support with all the trade teams that I work with. They do us, our country and our Government proud, but because of that, there is no one template, or one formula for parliamentary scrutiny. Having sat on committees such as this for a number of years before going into government, I have experienced frustration with the lack of engagement with government. I have experienced also when it is functional and works well, and I have understood the constructive and cross-party nature that comes from it when it is got right.

It is my understanding that, both pre-engagement with a country, during negotiations, but then also post, in the various forms of negotiations and agreements we come to, there are processes for closed sessions but also on-the-record sessions, and then public scrutiny of both Houses when it is appropriate. Because of the nature of what I have already described, we are entering a period where we are moving not just to FTAs, but to other forms of negotiations, agreements and MoUs. We just have to be appropriate, while recognising the speed with which we work. The need for confidentiality has to be respected, but within that I am willing to apply the formula of creativity, swiftness, urgency and boldness in the relationship that I have with Parliament, just as I do in our trade negotiations.

Amanda Brooks: The challenge here is to get the balance right for sectoral deals. They are smaller. They are less wide-reaching in terms of reach across the economy as a whole, so how do we find that proportionate balance to ensure that you feel engaged and sighted?

I know the chief negotiators all enjoy their time with you in private session, because they enjoy both the challenge that you provide and, indeed, the insight that you give them from your collective experience, in terms of how they can continue to build and strengthen the relationships we have with the different countries we are negotiating with. The key is the proportionality and the balance, given, as the Secretary of State has just said, the pace with which we are seeking to move, to ensure that, at the end of the day, our businesses and our citizens are able to benefit from the opportunities that we are unleashing on these.

This is more Kate’s area, but I think she will forgive me for saying it so that you do not need to hear from all of us all the time. Obviously, we are aware that the Business and Trade Committee had written regarding the recent engagements in China and the MoUs. The team has been working through, with the Chinese Government, the appropriate way of doing that. You will all appreciate that it was lunar new year, so that has taken a little longer than it might have at other times of year, but we have now been able to respond to both committees on that issue.

The Chair: That is very helpful. Just as a supplementary, would it be possible to make sure that we have an informal or formal link between you and this committee? It is really about line of sight. If I think back to the MoUs we signed with US states, there is nothing secret or overly complex about them, but some advance warning and extra time to enable us to absorb what you are trying to do would be extremely well received. I am aware that you do not want to want to commit to a formal CRaG extension process; that is totally understandable, but a commitment to try to make sure that we have more time and more line of sight would be extremely welcome.

Peter Kyle: Yes. I will answer that and say that we will strain at the bit to match the moment and to make sure you are as informed as possible. Let me just explain what the only concern is on my side. We are going to come to America in a moment, but it is not just America; it is within other negotiations, discussions and talks that we are engaged in. Things do move extremely fast. Quite literally, within the space of the difference between a Friday and a Monday, a fundamentally different set of products or services could be on or off the table, at which point we might slide into constantly updating you, or what you respond with could be out of date. That is the anxiety that I have about this, because I do not want to waste anyone’s time.

Quite often, Amanda, Kate, the private office and others are in my office unexpectedly with developments, for which I have to take immediate decisions and/or pick up the phone and seize opportunities. I just want to make sure that, when we are talking about non-FTA agreements, which would be highly beneficial for the moment that we are living in, that we do so in a way that keeps you genuinely informed and does not waste your time or get you bogged down in things for which the moment moves on so quickly.

The Chair: Thank you very much for that. That is extremely helpful. In light of your comment about fast-moving events, let me hand over to you, Lord Stevenson.

Q2 **Lord Stevenson of Balmacara:** We need your help. What is your assessment of the current tariff rate for our trade with America?

Peter Kyle: As has been the case a number of times, and as I find myself saying to journalists who call me with a sense of real urgency in their voices, this is not our first rodeo when it comes to disruption that is coming out from one or other of the territories. It is not just America that we see disruption coming out of; let me be quite clear about that.

Over the weekend, as you would imagine, from the moment that we heard the news of the Supreme Court judgment, we were engaged. I am proud of my teams, the Prime Minister, and the Prime Minister's team, including Varun Chandra, who has done an outstanding job building relationships. We are able to get on the phone with counterparts extremely quickly. Over the weekend, with me speaking to Jamieson Greer, and Varun speaking directly to counterparts as well, we were able to at least ascertain the direction of travel.

This has not all been laid down in presidential proclamation yet. There has been one proclamation. I suspect in the coming days that there will be another one, but I can say with some confidence that the FTA that we have negotiated stands. We know that the US Administration have since signalled that those countries with agreements that have been signed will have the 10% tariff remaining in place. We were the first country to strike a deal; it was the best deal, and it remains the best deal. The fundamental terms that we had negotiated with the United States remain in place.

Lord Stevenson of Balmacara: You mentioned the FTA, but we are talking about the UK-US EPD. Is that right?

Peter Kyle: Exactly, yes. Let me correct the record. I am talking about the EPD, yes.

Lord Stevenson of Balmacara: That is not a free trade agreement.

Peter Kyle: No, it is not.

Lord Stevenson of Balmacara: Could you describe, in the way that you are doing at the moment, a little bit about what you think it is now, relative to that announcement about 10%, if it is 10%?

Peter Kyle: The economic prosperity deal remains unchanged. Its status remains unchanged. For those areas of the economy that, again, were not covered by the economic prosperity deal, we remain, as of today, on the same terms as previously. We await the formal announcement from the White House going forward, but that is my expectation.

Lord Stevenson of Balmacara: That is very helpful. Thank you. Given the fact that this has all suddenly happened and everything else, presumably there was not much time to alert, prepare and support industry other than just general points. Could you perhaps outline a little bit of what you are doing now to get UK industry in a position where it can work with this new set of arrangements?

Peter Kyle: As I said before, this is not our first rodeo as a Government, and it is certainly not the first for the businesses and sectors that have been impacted by the initial "liberation day", the subsequent negotiations and offers. I have to say that the outreach that my department has done has been outstanding. The relationships that have formed with various sectors have been deepened as a result of this. We keep businesses updated, sometimes via representative bodies and sometimes directly. If there are particular issues that are pressing, we will reassure them about the conversations that we have had privately, and we will at all times gauge opinions.

Let me just stress again that in moments like this we focus on the threat, the peril and the challenge, but also on the opportunities to strengthen relationships with counterparts, and to put on to the record the view of this Government. Let me be very clear again that we believe that tariffs are a lose-lose. We have expressed this from the outset. It is not good for American business, it is not good for British business, and it is not good for the stability and predictability upon which you build a trading relationship. However, in these moments, we have maintained relations and conversations with counterparts, and we are, in these moments, seeking other opportunities to move forward at pace. We are also seeking opportunities as well as just dwelling on the challenges that we need to mitigate on behalf of business and the country.

Lord Stevenson of Balmacara: If we could just finish on that point, I have a last little question. The current UK-US EPD is obviously a good one. We have heard evidence in the past about how much it is supported, both here and in Washington, but an FTA would surely be the aim and objective of what we want to try to do there. Do you still think that is feasible, or are we best to stay where we are?

Peter Kyle: A comprehensive arrangement is certainly something that I aspire to. I have to be practical and realistic that, in order to deliver the kind of comprehensive deal that I would aspire to, you need to have two partners who want to move at the same speed towards it.

Do not forget that, in my previous role as Secretary of State for the Department for Science, Innovation and Technology, I was heavily involved in the negotiations around the tech partnership that was delivered during President Trump's visit, in a way building on top of the EPD. That is a really good example of how, in a very short space of time, we can find areas of the economy that are fast-growing and mutually beneficial, where both countries have requirements from the other in order to fully maximise their potential, and to nail down a deal in those areas really rapidly. It does show that you can keep momentum going.

It is my view, in this moment that we are in, that you can seize opportunities such as that and move forward, but to start with something that is fully comprehensive would hold you back from getting benefit into both economies in the immediate term, which is where it is most needed.

Particularly when it comes to critical technologies and areas of globally high growth, businesses and innovations, we really need agreements in the near term. I am talking about nuclear fusion, quantum, AI, robotics, space, biotechnology, health technology and climate technology.[1] These are things that we have been able to have a quick agreement on with America that will unleash £300 billion[2] of commercial activity across the Atlantic. I look at other territories with the aspiration, hope and desire that we can apply the same principles to our other trading partnerships, including the EU, going forward.

Lord Hannay of Chiswick: The first reaction that President Trump had to the Supreme Court ruling was to impose a flat rate of 15% from the middle of this week. When people worked out the figures—and I imagine you will confirm this—it would have been pretty damaging for us if that had been imposed in that way, and damaging for our European allies, but extraordinarily beneficial to China, Brazil and India. Do you think that was deliberate or inadvertent?

Peter Kyle: Forgive me for not answering the question directly. I am one of the few people who does not benefit our country by commentating on what may or may not be the driving forces. I am in the very fortunate position of having to respond on behalf of the Government.

My first reaction when I saw it was to pick up the phone and try to understand what the US Administration seek to achieve and what their comprehensive view is, not just globally, which was being spoken about by President Trump at the time, but what it means for the key partners that they already have agreements with, and to do the very best I can for the British economy and see if there are opportunities to get on the radar at this moment for movement forward.

In the negotiations I have had, even in moments of real adversity, I always try to keep the conversation grounded in what is achievable between two nations working together to solve the big problems facing the world, and the opportunities that are there to seize if we work together. In my experience, when we have been able to ground the

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[1] Note by the witness: Robotics and climate technology are not part of the Tech Prosperity Deal but collaboration between the UK and the US is ongoing in robotics and energy.

[2] Note by the witness: The correct figure is £280bn (GOV UK: Record-breaking £150bn investment unveiled during US State Visit - GOV.UK).

conversations in those sorts of frames, we often come out with mutually beneficial forward steps rather than always dwelling on the negatives.

Lord Hannay of Chiswick: Are you satisfied then that the 10% that appears now to be being charged, as opposed to the 15% that was announced immediately after the Supreme Court ruling, will stick? We will not wake up tomorrow morning and find that the State of the Union message has shifted it yet again?

Peter Kyle: All I can do is encourage you to look at the evidence of previous times. We have an unconventional presidency and Administration that will act in very swift ways. Am I going to sit here and make predictions as to what will and will not be said by the President tomorrow? No, but what I can say is that, thanks to the swift, bold and creative leadership of the Prime Minister in setting the tone in the very early stages of his Prime Ministership, where he refused to make a decision between the EU, the US, China and other territories, but chose to seek opportunities in all, and to get on the plane and start building relationships swiftly as Prime Minister, he has paved the way for people such as me to build the relationships that will weather the storms that come globally—not just in the US—at moments of adversity.

Can I predict them? No, not always. Can I do my best to respond to them, using the relationships we have? Yes, I can. Does that deliver for Britain? Yes, very often.

Q3 **Lord Hannay of Chiswick:** If we could move on now to what I would call the multilateral aspects of the world trading system, could you first perhaps say a few words about what the UK considers the continuing value of the most favoured nation rule, which has applied for many decades to international trade? Do you think it still has a role to play? Do we wish to see it applied or, alternatively, waived in terms that are consistent with the GATT and WTO terms, XXIV:6 and all that?

Secondly, if forced to choose between a multilateral trading system with some rules that most people, if not everyone, applied, and one where there were no rules, where would the Government come down in that choice?

Finally, there is the WTO ministerial coming up. I imagine you may be going to that. What will the Government’s objectives be there for the future? What sort of development of a world trading system—not the world trading system, but a world trading system—is viable, is manageable to negotiate, and will you be aiming for if and when you go to that meeting?

Peter Kyle: Seventy-two per cent of global trade is happening on most favoured nation terms. That is good, but it has fallen in recent years. Britain and this Government support multilateralism in principle. They support the WTO in practice. We believe that the framework that is provided, and a rules-based trading system underpinned by international law, is hugely beneficial to all countries large, medium and small. It is to our domestic benefit, and it is certainly to the benefit of global trade.

Having said that, the global trading order and the WTO have been under stress. When I had the mini-ministerial meeting in Davos, it was explicitly said in the conversations that I was having with the director-general of the WTO that the bilateral agreements being reached of different flavours, from MoU to the economic prosperity deal and so forth, actually strengthen WTO; they do not weaken it, providing the foundational principles remain intact. We can achieve many of these deals only because they are building on the most favoured nation terms in the first place.

When it comes to MC14 and the forthcoming meeting in Cameroon, my priorities remain seeing the modernisation of the framework, but the maintenance of the framework itself. Plurilaterals are emerging as a trend in global trade. They should be recognised, formalised and supported within the WTO system, but we also need to address the dispute mechanism, which has not been fit for purpose in recent times. That might feel modest to observers of this conversation, but in the world as we find it those would be significant steps forward.

There are other areas that we want to engage with. My team has been preparing a more comprehensive paper for the reforms that we want to see, the way that we want to see the WTO, and how we will push for the WTO to evolve in the short to medium term. That paper will be shared with our WTO partners in the coming fortnight, I hope, at which time we will share it with your committee as well.

Baroness Lawlor: Can I pick you up on something you said just now about your private meeting at Davos with the WTO senior official? Do I understand you to have said that she thinks the way things are going is indeed good for the MFN arrangements? Would that apply particularly to sectoral agreements, because they are the ones that seem to be causing the trouble? We know not whether the sectoral agreements with America will ever materialise into a full FTA. Is that not the real problem we are facing? Did your friend in Davos from the WTO think that even sectoral arrangements were good for MFN status?

Peter Kyle: I spoke to Dr Ngozi, who is the general secretary of the WTO. At the mini-ministerial, we were on a panel at Davos together with other Trade Secretaries, and we had a private bilateral meeting afterwards. I am not her spokesperson. All I can do is interpret the conversation as I found it, and I mean her no disrespect in the way that I am doing so.

She recognises the world as it is and the fact that, when I speak about the agreements that I am striving for, in no way do they undermine the fundamentals of the WTO. In fact, when we are looking at some specific agreements that may be sector-based or broader, the vast majority of trade in those circumstances is still based on WTO terms. That is intact. In no way do we want to undermine that.

We as a Government and I as a Secretary of State strive to reinforce the rules-based trading order and the WTO, but I recognise that, since 1995 when it was founded, there has been an awful lot of change and challenge there. We have to strive as much as possible to form agreements that support and reinforce the WTO, not undermine it, but we recognise that, for us to deliver for Britain and the British economy, we need to be as fleet of foot as possible. That is the world in which Dr Ngozi as general secretary is aspiring to create a WTO that can accommodate that.

Baroness Lawlor: Would she be prepared to move the WTO forward?

Peter Kyle: The WTO is a democratic organisation among its members, so it is not for her to move forward. I have found her, in the time that I have engaged with her, to be forthright, charismatic and deeply passionate about international rules-based trade, but also someone who is very keen to see it move forward. She is not, unfortunately, the master of all the rules herself; they can come only from agreement and consensus within the WTO.

Kate Joseph: Just to add on the point about MFN, the committee is absolutely right to zero in on that issue because it is the area that is most challenging and difficult but is very much the bedrock of the multilateral trading system. We and other WTO members recognise that. There are WTO members that have brought this up recently, particularly the US but also the EU, and have put it in their papers.

There is a conversation going on within the WTO at the moment about MFN and what its limitations are, exactly as you say. That is a conversation that we are up for having, but we also are very clear that MFN is incredibly important for the rules-based trading system, so we need to find a way to continue to work within that framework and to preserve everything that is good about MFN, recognising that it is under a lot of pressure and strain.

The Chair: We are hoping that one of your officials will come back after the ministerial conference and update us on the progress we have made. That would be very helpful.

Q4 **Baroness Anelay of St Johns:** Over the last three questions, we have heard reference to the variety of tools that can assist trade negotiations. We have just heard about sector-specific, MoUs and of course FTAs. Given this range, what criteria do the Government use to determine which of those tools they will use for specific countries? What is underneath it all?

Peter Kyle: I am very sympathetic as to why your committee would want a definitive formula from me for these sorts of discussions, talks and agreements that we enter into. The truth is that we cannot. There is no formula. We have to see what is possible. What is in the best interests of the British economy? What are our priorities compared to those of our counterparts? Where can the agreement be?

I was elected in 2015. All the talk then, as we moved towards Brexit, was about having a comprehensive deal with America, and then about a lot of comprehensive deals that could be done rapidly. Look at the reality of how long the EU took, when we were in the EU, to deliver the comprehensive deals that it had at that time. I do not think that people realise that you are very often talking about between 10 and 20 years to deliver the comprehensive deals.

When you look at the economy as I see and find it, you see the lack of productivity that has been in our economy for the last 13 or 14 years, where we have had zero productivity growth.[3] You see the lack of growth that we have had overall in the economy, and the fact that trade in certain areas has fallen, not grown. There is a sense of urgency that I really deeply feel. Therefore, I cannot and will not allow us to enter into something that I believe will take more than a decade.

Given disruptive technologies such as AI and nuclear fusion, or some of the emerging climate, health and biological technologies, and the impact they are having on global trade, I need to deliver these quickly for the benefit of humanity and the British economy, but also so that we can have the British economy being fully exploited. We have four of the top 10 universities in the world. I want them playing their part in delivering the innovation of the future. I aspire to have as comprehensive a deal as possible, but also to balance that with the quick wins that can start delivering.

When it comes to newer relationships such as with China, which I think we will come to, where we are starting pretty much from afresh, how can we start to build the relationships that will lead to the kinds of agreements into the future that will deliver and perhaps deepen over time?

I do not see any of the deals that we have struck as the endpoint. These are deals where my priority is often to go back and deepen, rather than just seeing success in this job for me as having as many pins in maps as possible. I want the deals that we strike to be fully exploited. I want them to provide new opportunities and to deepen diplomatic as well as economic, defence and security relationships with our key partners. Trade plays a very big role in opening the door for that. Those are the priorities that I have. I need to be very creative and open-minded in what the MoUs and agreements look like.

Baroness Anelay of St Johns: Thank you very much for that, and I appreciate a focus more on agility and nimbleness, and everything that appeared last June in the trade strategy. That in itself appears to push FTAs to the side as being rather long-term. Do you consider the use of sectoral-specific issues and MoUs as a rung on a ladder where you can make your way forward to an FTA, or is it simply going to be too long an effort to be able to use your resources to get to the FTA?

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[3] Note by the witness: Productivity grew by an average of 0.5% a year between 2010 and 2014.

Peter Kyle: I hope all the agreements I make from MoU upwards, whether or not they are novel deals such as the economic prosperity deal, are rungs on the ladder. I hope all of them lead to a deeper, and in some cases broader, set of agreements where possible and appropriate. What I will certainly not do is put an artificial block on the pathway that we can take when it comes to our trading relationship, because there will be people who come into this job after me. There will be Governments after this one, although I hope this one will go on for a very long time. I hope also that they will see that the foundations that we are laying here are ones that we can step into for the good of the British economy, and all those working and innovating within it.

Yes, I do hope that these relationships that we are building and deepening are ones that we can build more on in terms of their depth and broadness and that in some cases will move towards something that is more comprehensive.

Baroness Bonham-Carter of Yarnbury: Can I pick up on something that came on the back of this question, and that we heard about this morning on the back of the latest President Trump announcements, which is cuts to your own department? How do you feel about that, considering the complexity, as Baroness Anelay was saying, of the things you have to do? I see that there are rather a lot of people behind you.

Peter Kyle: I will not speak for the people behind me, but I will, with respect, not answer how I feel about things, because I focus entirely on the opportunities that are here. You have to understand my mindset in these moments. It is not just America.

Let me just take a step back and perhaps give you a bit more of an insight into how I approach this job and think about it. I have, being candid, frustration that it is not just America that is making it difficult to form stable, predictable, long-term trading relationships. I have been frustrated with some of the movement within the European Union on the Made in Europe programme. I have expressed to my counterpart there in the EU that this hinders the ability for the continent of Europe and like-minded, allied countries to come together and fully exploit the potential we have as a continent when it comes to trade, diplomacy and so forth.

As I said, I have been doing this job for six months, but in that time I have travelled to India, to China twice, and to the US numerous times. I see sometimes, in our western allied countries, us focusing on mitigating challenges and barriers, and spending a lot of time doing so, and yet, when I look east, I see a singularity of purpose. I see countries, in particular China, that are innovating at scale.

People talk about the industrial powerhouse of China, but people do not talk often enough about the R&D potential and capabilities of China, and its ability to take innovation into commercialisation and into upscale on a formidable pathway, with clarity of purpose and a domestic market that is now capable of maturing products, services, innovations and scientific developments before exporting. All these things should be a focus of the minds on the continent of Europe and with our allied countries. That is the most emotion you are going to get out of me over this.

Baroness Bonham-Carter of Yarnbury: I think you picked that up from your last job too, did you not?

Peter Kyle: There is no question, yes. Amid all this, I see opportunities. When I have been travelling to those countries, and particularly when I was going to China with the Prime Minister a couple of weeks ago, every media question was framed as, "How is the US going to feel about you doing agreements with China? How is the EU going to feel about it? How does the EU feel about your agreement with America?"

In all these situations, I see opportunities. Some of the opportunities you will not be able to realise, for lots of different reasons, but I see lots of opportunities that we strive towards. It is that entrepreneurial, swift enthusiasm that this Government have for these relationships, and being creative in the way that we solidify these agreements so that they turn to opportunities for businesses in Britain, that is standing us in very good stead.

I just see a lot of focus on the negative at the moment, but we need to also recognise that there is a lot of opportunity out there, providing that we have the right guardrails, that we are creative in what kind of agreements we will and will not enter into, and that we do not flog dead horses when it comes to things that are simply not deliverable but creativity can often find a way around.

Q5 **Lord Anderson of Swansea:** Secretary of State, one of the key aims of a free trade agreement is surely to increase the volume of our exports to particular markets, yet the Government's first monitoring report shows that, in the year to June of last year, for example, in Australia, the volume of our exports fell by 16.3%. What went wrong? What were the reasons for this decline, and what is being done to improve our performance?

Peter Kyle: You are referring to the goods agreement, but do not forget that, in the same period, services exports increased by 27%. I am not dodging your question, because I am going to come back directly to goods. In some of the goods that we are talking about that led to that figure, it is low in volume because of the nature of trade between the UK and Australia, so it appears as quite a large figure even though the volume of reduction is quite small. However, I am not going to dodge the fact that I do not want to see a reduction in any of our trading relationships; I want to see an increase.

There are lots of reasons behind that particular figure and challenge, which also is represented in other areas that we are seeking to overcome. The British economy is evolving. Services are playing a greater role in the British economy than they have in the past, and that trend is also moving forward. That is why you will see the shift in trading relationships with Australia. Where we do have a services agreement, you will see that services agreement playing a fuller role in the overall commercial activity between the two territories.

There are also challenges that I will not duck, because I am on the record for saying so in front of other committees and in my job when I am questioned in other areas. It costs too much to produce things in this country because of the cost of electricity and other barriers that are there compared to our comparator countries. These are things that I am trying to tackle, with the supercharger scheme and the BICS that I am trying to bring in to lower energy costs for those in energy-intensive companies, but I am very aware that all these factors will play into our international competitiveness when we are trading with countries such as Australia.

We are looking at this conversation from Britain to Australia; Australia is looking at us as one of many other countries that it trades with when it comes to particular goods. These are things that I am trying to act on.

Lord Anderson of Swansea: With respect, the costs of production are a constant. We are talking about a decline in respect of goods, and a decline that is particularly concentrated on smaller business. Is this decline a failure of the Government's outreach to smaller business?

Peter Kyle: When it comes to smaller business, we are actually increasing support for it. Just in recent weeks, you will have seen that we have arranged a UKEF facility of £11 billion to support SMEs to export, which is being delivered by five high street banks and I believe will have a big impact. I was just at a conference where I was talking to businesses directly about this. It will start to turn the tide on some of these trends.

When it comes to SMEs, there are very particular challenges with SMEs exporting. If you are exporting for the first time, there are the cultural barriers to it that we are trying to overcome with the new facilities that I am making available. We are also working with the Federation of Small Businesses and other representative bodies to try to get through the enthusiasm for exporting.

There are lots of cultural areas for it. We also have a decline in goods being exported to the EU as a result of the deal that we inherited from the previous Government. If you are a small business and you stop exporting, that makes it harder to export, particularly to a country that is even more distant. There are also sophisticated trading relationships with your near neighbours that, when they stop, will impact some of the relationships you have with your counterparts further afield.

Energy costs have increased in recent years. They are not stable and they are not consistent, providing more challenges towards businesses large and small. These are all areas, one by one, that I am aware of and am taking action on to make sure that businesses large and small, particularly in the SME sector, fully exploit all the trading opportunities, including new ones such as India.

Lord Anderson of Swansea: These barriers have always been there. Is it your judgment that the decline, which is true, has been helped in any way by the cuts in the export support personnel of your department? Can you really expect more from fewer personnel? What are the motives and reasons behind the cuts?

Peter Kyle: It is certainly and categorically not my view that the restructure of the way we are placing and deploying in-country support for trade has played a role in any of those figures. Of course, the figures that you are citing were from the period before the restructure started to unfold in my department. Trade, particularly global trade, is evolving. Therefore, a department that is a global department with a global set of teams needs to evolve with it.

We also have technology available at our disposal now. If you look at businesses that we are engaging with in other countries, and the businesses that are engaging with the British market, you are seeing online and AI-assisted tools that are providing incredibly up-to-the-moment, speedy, accurate information, to a degree that is much faster, more efficient and more effective than sitting down with a trade envoy or trade representative from my department.

The trade representatives and my outreach in country need to reflect several things, including the priorities that I have as Secretary of State and we have as a Government. The use of technology in engaging with people is impacting every other sector in life and every other business in our economy. Therefore, it has to bring in productivity enhancements within the way that we trade abroad as well, but I believe that, in key areas where we have priority areas for trading and building trading relationships, the reforms that I am bringing in will deepen and extend the trading relations we have in those countries, and it certainly will not diminish them.

Lord Anderson of Swansea: These technical developments you mention should mean that we will do better with fewer staff.

Peter Kyle: Yes.

Amanda Brooks: On the impact of the Australia and New Zealand trade agreements to date, just to ensure we are all clear, trade with Australia has grown overall by 14% in the two years since the agreement came into force, and by 19.7% with New Zealand. That is skewed towards services rather than goods but, none the less, total trade has grown. That suggests that the agreements are working and are working well.

Lord Anderson of Swansea: That is in respect of services.

Amanda Brooks: That is not to say we cannot do better. In terms of the way that we are restructuring the support provided to the business community on exports, the business community told us very clearly that it found the advice too fragmented and too hard to access. The new business growth service that the Secretary of State is pushing forward with vigour is helping us deliver on that, but we have also ensured that there is business academy training on the free trade agreements. There is some excellent guidance that we have worked really closely with business representative organisations to develop and refine. I know this sounds a lot, but there are 40 guides on the different aspects of those two trade agreements that have been viewed 60,000 times in terms of access.

In the first year of the agreements being in force, we ran 54 separate events on the two agreements to reach different businesses, in terms of training sessions that were free to access, face-to-face activity, and indeed online webinars. There has been a really extensive programme, and the trade agreements are delivering increased trade for the UK.

On SMEs specifically, again just to make sure it is clear, the volume of SMEs that are using these trade agreements remains consistently high. It is in the mid-80s as a percentage for both agreements. The declines that you refer to are less than 1% in both cases.[4] That is disappointing. Of course, we should continue to grow the number of businesses overall that are engaging with those countries, but that is a very high rate of utilisation by the small business community.

The Chair: Thank you very much for that. We might return to some of those points. We have about 20 minutes left, so can noble Lords make sure that their questions are delivered in a compact and concise way? Baroness Lawlor, I know this is your forte.

Q6 **Baroness Lawlor:** My question is really about the CPTPP. You have spoken very convincingly about being nimble, bold, and seeking opportunities. I hope it all works. I and many people who are greater specialists than I am regard the CPTPP as a marvellous agreement. It allows for nimbleness; it allows for flexibility; and it measures outcomes. Countries trade under their own laws and they have conformity assessment bodies, as Lord Johnson will remember from bringing the Bill through here. We are poised to do great trade in both services and goods.

However, by signing up to the EU's SPS agreement for agri-foods and regulatory alignment in the future, we are stultifying potential with other partners. How will the Government deal with legal challenges from CPTPP members against the sort of rules that are going to come in for agri-foods?

Peter Kyle: I will ask Amanda to come in afterwards, but first let me just say that I agree with your characterisation of CPTPP. Our membership of it is good. We will support expansion of it along the Auckland principles that have been set out. I believe that, once we are fully involved and engaged in CPTPP, we can see a flourishing, growing market into the future.

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[4] Note by the witness: The proportion of SMEs trading with Australia and New Zealand has remained consistently high. There has been less than a one percentage point decrease in both cases.

We have never entered into any trading relationship where we have lowered any of our red lines, particularly on things such as food standards. Our red lines have never come close to being eroded. When it comes to all our agreements on those key areas, including SPS, I will freely admit that these are tough negotiations when we are having them with our counterparts, but we have never eroded any of our red lines. Our standards remain high. That is entering into CPTPP. It is also entering into the discussions with the EU.

Of course, we are cognisant of all our trading relationships and agreements, but all the agreements have set food standards so high that I simply do not predict that the forthcoming agreement with the EU on food standards and SPS will lead to the kind of challenges that we have. Amanda might want to follow up on some of the detailed discussions.

Amanda Brooks: Yes. I was also going to take the opportunity to update the committee based on something that you just said in terms of the status of CPTPP. It is already in force for us with most of the CPTPP members. The exceptions to that are Mexico and Canada. Mexico is in the very final stages of ratifying the deal. That will substantially improve the terms of trade that we have today with Mexico, so it is back to the ladder in a way; I am going to use that a lot, I feel. It is a real shift in terms of the coverage, scope and breadth of the agreement that we currently have with Mexico, from which our businesses will benefit.

Similarly, Canada is also going through its ratification processes for CPTPP. That will not deliver quite as much additionality because we already have a very comprehensive agreement with the Canadians, but none the less will deliver additional benefits to UK businesses and, indeed, Mexican and Canadian businesses. There is a real opportunity coming in the relatively short term for additional growth from our membership of CPTPP.

However, going back to what you asked about, the Secretary of State is absolutely right. We do not negotiate our regulatory regimes through our negotiations with our trading partners. We have a very clear regulatory system in the UK, and that certainly stands for SPS. We then engage on the basis of a regime. That is the basis on which we joined CPTPP. It is the basis on which we are negotiating with the EU. It is our job as officials to make sure that we understand the complexity; that, where there may be tensions between different arrangements, we ensure that Ministers are fully advised; but also that we mitigate that risk and find a way through it. We just consider that to be part of the day job.

Baroness Lawlor: Thank you, but my question is quite specific. We rightly expect the highest standards. Many people would say that the UK’s standards on agri-foods are higher than any other trading partner. We want to keep it like that, and our people want that, but it is outcomes-measured. We have certain ways of measuring, and they are very precise. We have conformity assessment bodies. We have all kinds of ways. This is scientific evidence.

The EU's arrangements on regulation are very different. They are process-based and code-based. It is a different sort of law. It is not dynamic, flexible or anything else, nor is it outcomes based. We have had many scandals of EU exports, and I will not go through them now. In terms of UK produce, it is top notch and the law works. That is the basis for our relationships with other trading partners; it is outcomes-based and scientifically measured. I am worried that this SPS agreement with the EU will lock us into a regulatory system that will depress the ability of the UK and other partners to trade on the basis of science, and it will raise prices unnecessarily.

Peter Kyle: My Lady, I disagree with the premise that that one trading relationship and agreement will lead to a regulatory confusion that is unbridgeable. The US has a fundamentally, philosophically different approach to regulation from the UK. From the ground up, the way it designs, deploys and enforces regulation is fundamentally different from the UK. This is the source of ongoing conversations with my counterparts in negotiations and talks that we have. It is a constant theme, but we have always found ways to bridge those differences in order to maintain the integrity of the goods and services that come into the UK market.

We were members of the EU for a very long time, and we have been out of it only a short time. I will not invite Amanda to come back in again because I think we should move on. It is not my job to speak for the committee, but what I mean by that is that, as we move forward, I will take cognisance that this is an area of particular concern for the committee and make sure that we strive to share information on this with you to reassure you. It is my view that this would not have the impact that you are characterising. I am very happy, because we are at an early stage of discussions on SPS, to ensure that you are informed and that any concerns you have will be taken on board.

The Chair: I think we are going to have to move on.

Lord Hannay of Chiswick: Can I just say one word on this? It is just to clarify that this committee is not responsible for handling the CRaG process on SPS. That will go to the European Affairs Committee. The views that you have heard here are not the views of the committee.

Q7 **Lord German:** I want to turn to the India deal. Because it was a first mover, the UK Government would obviously seize that as a great advantage. We now have an EU-India deal. Has that shifted the dial at all about relative advantage? Which are the areas where there are still disadvantages for British companies? In particular, how are you going to take forward the lack of services issues in the current UK-India deal?

Peter Kyle: The India deal is a huge step forward. It is a very good deal. If we just take one area, for example, which is procurement, we have now secured access to the Indian Government's procurement system, which is £38 billion-worth of procurement opportunity. We are the only country that has access to that part of the Indian economy.

In all these areas, these are going to offer some really good first-mover opportunities for British businesses. We are doubling down on our engagement with British businesses for exploiting the opportunities. I myself travelled with the Prime Minister to India not so long ago with a delegation of 156 businesses, large and small. I have to tell you that the positivity that came with such a visible and demonstrable partnership between business and government on both sides has really sparked off some very potent trading opportunities between us.

We have secured some really significant wins in this deal, and it will have a very positive impact going forward. It stands up very well to the deals that are being signed by other countries with India.

Lord German: What about taking services forward?

Amanda Brooks: The deal that we have with India on services was the most ambitious package that it had agreed to date. I have seen the EU's commentary that it has achieved something that is better than the UK's deal, but we have not seen the detail on that, so it is hard for me to comment. We have bound-in access for over 43 services sectors and promoted non-discrimination through the deal that we have struck. We have seen great support from colleagues in the services sector, such as EY and PwC, for the terms of the deal. Our modelling estimated that services exports will increase by around £1.6 billion every year in the long term.

That is not to say that the deal is perfect. It is not. We pushed extremely hard on legal services because we knew that that was a matter of great importance to UK businesses. The Indian Government are currently considering their position on liberalising their legal services sector. It is worth noting that they consider it a noble profession, which gives it a rather different status in India than it has in the UK. Our deal has a mechanism that enables us to keep pace with commitments that they make to other partners in subsequent deals on services, which we will seek to pursue where that is necessary.

The Chair: We might move on. If we have time at the end, we will come back to the supplementary that I know Lord German would like to ask about the double contributions convention.

Q8 **Baroness Bonham-Carter of Yarnbury:** Secretary of State, you have been very optimistic with all your answers, which is exactly what we need and want in a Secretary of State. What progress is being made to improve the UK's trade defence toolkit? There are concerns about our ability to prevent hostile or coercive trade practices. I would like to explore what concrete steps the Government are taking to improve resilience.

Peter Kyle: It is important. Just as we need a broad and creative toolkit to seize opportunities, we also need a broad and creative toolkit to mitigate any challenges that come our way. I have written to the Trade Remedies Authority and asked it to speed up the work that it does so that we can get quicker answers to some of the challenges that emerge, because the slowness of that is a challenge that we have had. The TRA has been given a strategic steer by me in order to become swifter in the work that it does.

Also, I am trying to make sure that we have other tools emerging when I see the opportunities in the legislative framework. For example, the Finance Bill that has gone through[5] has certainly given me more powers to start investigations. At the moment, the TRA is independent and therefore independently starts inquiries. I have now assumed a power so that, in those rare circumstances where I believe there is an alignment with a government priority or a perceived government threat, I should be able to stand up myself and answer to Parliament and the country for those actions.

We already have a broad set of measures that we can bring in at times like this. I have tried to create more opportunities for us to act swiftly and creatively in order to respond to any situations that emerge in such an unpredictable and fast-moving trading landscape around the world.

Q9 **Baroness Blower:** Secretary of State, we now come to China. How are the Government identifying and defining risk in their trade with China? Which UK sectors are the most exposed to the risk in their relationship with China? If you have time, perhaps you could also say a few words about how we are taking account of the diverging positions of the US and the EU with regard to China. Finally, what due diligence was undertaken before signing the MoUs?

Peter Kyle: We signed 14 agreements when we were there. I am very pleased to reassure the committee that we learned from the periods that have gone before us. We went from a golden era to an ice age. We then came into office wanting to think carefully and strategically about the relationship with China, but not to make the mistakes that had gone before.

A lot of work had gone in from the National Security Council and our intelligence community to identify parts of the economy that we are not going to allow investment in. You will not be surprised to hear that that covers areas of critical national importance, critical infrastructure, technologies such as AI, and other specific areas.

Building a relationship with China where we can discuss these areas in a direct way, including other areas of concern such as human rights, has been very important for me. The Prime Minister appointed me in September, at quite a crucial moment—it comes back to the point that every week is a big moment. I sat with Kate and Amanda on the morning after my appointment on the Saturday. On the Sunday, I was in America, in Washington, and on Sunday and Monday in the White House undertaking trade, tariff and the tech partnership negotiations.

[5] Note by the witness: The Bill is awaiting Royal Assent.

I went straight from Washington into China. We were very up front with America on that second day in my job that I was leaving from Washington to go to Beijing to undertake the first set of trade talks for seven years between Commerce Secretaries and Trade Secretaries.

In that very first set of conversations, I was explicit that my approach would be to be up front about the parts of the economy where we are not willing to enter into agreement or to allow investment. That conversation happened in a very direct, frank and robust way. It was also put on to the record a bit later.

We have continued in that style since. The frankness with which we have been able to articulate that has been welcomed by China, because it does not want to go back to a period where it is promised the earth and given nothing, and then enters into uncertainty. It wants predictability into the future. In many ways, it would rather have a fast no than a long yes. That is the way that we have moved forward, and that paved the way for the visit from the Prime Minister and me just a few weeks ago.

Moving forward, we have identified those areas, and it enabled us to identify areas of the economy where we can act in a more fulsome and full-throated way. Look at the sporting agreements that we made. Look at the creative arts agreements that we made. Look at the agreements on singular areas of commercial activity that we made, involving spiny lobsters, for example—I do not think that even Iain Duncan Smith would oppose, on national security grounds, the exchange of spiny lobsters going from the UK territories into China.

Where there are areas that are more complicated, we owe it to start the conversation. When it came to services, rather than jumping straight into a discussion about what an agreement could look like, we have agreed a feasibility study into a services agreement. That gives us the space on both sides, because concerns are raised on both sides, even in our relationships with China.

A feasibility study is now under way, looking into what an agreement could and should look like before we start taking that step towards it. That is real, delivering some quick wins. It is also pragmatic. It is not overreaching from the outset, and it is taking solid steps forward from which we can build. It is also exploring some of the larger issues in a way, through a method and at a pace from which we can engage in a national debate with Parliament and the public about the relationship with China as it evolves.

The Chair: Thank you very much. If we have some time at the end, we can return to that important point.

Q10 **Lord McDonald of Salford:** Trade policy does not exist in a vacuum. What concrete foreign, security and diplomatic objectives is UK trade policy currently designed to advance? Where are the co-ordination challenges in Whitehall? Lastly, what steps are you taking to mitigate those challenges?

Peter Kyle: I think we have covered quite a bit of it in the conversations, perhaps because I spoke too much in some of the answers to your colleagues. Please forgive me. As you heard in my answer to the China question, we addressed the challenges, and potential challenges, from the absolute outset and were explicit with them. We have the same approach with all of our global trading partners in that we are very explicit about the areas we want to double down on, and we are very open about the measures that we take in order to protect our economic security, research security, and national security and defence of our nation. These are parts of conversations with all of our trading partners as we engage with them, because we bake into these deals processes that enshrine our ability to scrutinise trade in the ways that you would expect.

When it comes to human rights and other ethical areas related to trade, back in September we commissioned the responsible business review, which was undertaken and has reported more recently. My department is now trying to assess the outcomes of that review, because this is from the hard edge of national security right the way through to the more diplomatic aspects of our trading arrangements. We want to make sure that Britain’s values and principles, which involve free, open trade but also take into account other areas of human rights that we apply domestically, should be expressed in our relationship abroad in a way that incentivises a movement towards the kind of values that we espouse as a country and does not avoid those conversations starting in the first place.

Lord German: Very quickly, on the India-UK deal, what will the impact be of the double contributions convention, particularly for the Treasury? If you cannot answer that now as to the impact on the Treasury, would you consider producing an impact assessment so that we can truly see the impact of that convention?

Amanda Brooks: I have volunteered to quickly touch on this. Specifically, Lord German, we expect the net impact on the Exchequer and the British economy of the DCC to be positive.[6] This is a Treasury lead, but the Office for Budget Responsibility will certify the impact, including the DCC, in the usual way for future fiscal events, once the deal is finalised and ratified. That is my expectation in terms of how that question will get answered.

The Chair: We might return to that. That might be worth some further inquiry.

Lord Hannay of Chiswick: Briefly, on China, do you recognise, Secretary of State, that the history of the West’s relations with China in trade, investment and other matters, has been a history in which we have never got our act together to take up the areas of Chinese policy

[6] Note by the witness: The Government's position is that the net impact on the Exchequer and the British economy of the trade deal with India is a significantly positive one.

where we think it has gained disproportionately from its WTO membership? If we are to get anywhere with the Chinese, it is not going to be by talking to them on our own; it is going to be by talking to them in concert with others, particularly the other European countries, Japan, South Korea and others like that. Of course, the big question mark will be over what President Trump does when he goes to China in the spring. Do you recognise that that sort of concerted approach is more likely to bear fruit than a unilateral one?

Peter Kyle: As I said at the beginning, I am committed to multilateral trade arrangements. Certainly, as you would imagine, these issues come up in my conversations with counterparts in America, the EU and other areas. Do not forget that the Prime Minister and I visited Japan as well after the Chinese visit. We strive to work in partnership. Where we share values with our partners, we should work together to enshrine them in our diplomatic and national security arrangements, and in our trade arrangements.

China has a trade surplus of $1 trillion. It is quite an extraordinary force in the global trading landscape. That trade surplus from China poses huge challenges in certain areas. We all know that, and you know that as a committee more than anyone. In China’s need to balance some of that trade surplus, it will either come from tariffs and barriers that may increasingly be needed over time, or it is going to come from access to the Chinese markets for open, free-trading nations such as Britain.

As you can see from my answer, I am aspiring to a sophisticated relationship with China where we are open and honest about areas where we see economic, diplomatic or other challenges that emerge from China, but where we also seize the opportunities that its market presents to us, and its need and desire to open up what is a growing domestic consumer market, with 400 million people now forming its middle class. By 2035, there will be 800 million people in its middle classes.

For example, we gained access by lowering the tariff by half on whisky. Outside of rooms such as this, people often ask me why whisky is so important. When we can get premium British brands into such a large market to start with, but also with a growing middle class, brands such as that will grow with the middle class in those countries. These are things that we are very aware of.

The sophistication in these relationships has to be acknowledged, and we have to aspire to deliver a range of measures, relationships and agreements with them, but always putting the domestic British market first, for the good of the long term, as opposed to the real instability that has characterised our trading relationship with China in the past.

The Chair: Thank you very much. That is a very well answered point.

Lord Anderson of Swansea: Secretary of State, I was struck by one of the themes of the Chancellor’s recent speech at LSE. She said, “Yes, these FTAs with Australia, New Zealand and Japan are important, but the big one is the EU”. Is that the right perspective?

Peter Kyle: Yes, it is.

The Chair: Thank you. We are not the European Committee, but it is worth asking.

Thank you very much for attending this evidence session. It has been extremely useful for us. I am extremely pleased that you are committing to a high degree of collaboration with this committee, understanding the flexibility that you require. We hope that you are going to keep us enormously busy. We want to be regularly scrutinising new treaties and agreements that help our companies export their goods and services around the world, so best of luck to you. Thank you very much, Kate, Amanda and you, Secretary of State, for your time today.

Peter Kyle: Let me just pay tribute to my department again. Everything we have been talking about here has been challenging and diverse. Often, these are issues that, simply, no generation in recent times has had to deal with. Being thrown into trade agreements as a Government in only very recent times, and as an incoming Secretary of State just six months ago, I was able to come into a team that feels like it has been in place and building on knowledge that goes back generations, but in fact, it is building on experience and knowledge that does not go back generations in terms of our institutional knowledge. That is a real true credit to the Civil Service, to my department, and to the capabilities that we have within it.

The Chair: I would second that. Thank you very much indeed. Good luck to you all. Thank you, Secretary of State, for your time. It is much appreciated.