



International Agreements Committee

Corrected oral evidence: Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and UK-Australia Trade Negotiations

Wednesday 26 May 2021

4 pm

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Members present: Lord Goldsmith (The Chair); Lord Astor of Hever; Lord Foster of Bath; Lord Gold; Lord Kerr of Kinlochard; Lord Lansley; Baroness Liddell of Coatdyke; Lord Morris of Aberavon; Lord Oates; Lord Robathan; The Earl of Sandwich; Lord Watts.

Evidence Session No. 3

Heard in Public

Questions 24 - 39

Witnesses

I: Nick von Westenholz, National Farmers' Union (NFU); David Bowles, Head of Public Affairs, RSPCA; Mary Johnson, Market Access Manager, Meat & Livestock Australia (MLA).

Examination of witnesses

Nick von Westenholz, David Bowles and Mary Johnson.

Q24 **The Chair:** Good afternoon. This is a session of the International Agreements Committee of the House of Lords. This afternoon, we are considering trade arrangements, both United Kingdom-Australia and the proposed accession negotiations in relation to what is called the Trans-Pacific Partnership—the CPTPP—particularly with reference to agricultural goods. I am very pleased to say that this afternoon we have three witnesses, whom we will be hearing from in a moment. Let me just remind them that this is being broadcast. We will, as usual, take a transcript, and they will have an opportunity to review it before it is finalised. You will also remember, witnesses, that members may declare relevant interests prior to asking questions, but those will only be brief.

Let me welcome you. For some it is not the first time and we are very grateful for your return appearance before this committee. Nick von Westenholz from the National Farmers' Union, David Bowles, head of public affairs at the RSPCA and Mary Johnson, market access manager at Meat & Livestock Australia—we welcome all three of you.

Let me start, if I may, by asking you to help set the scene for today's meeting. Could you talk about existing levels of agricultural trade between the United Kingdom and Australia, as well as with key CPTPP countries. Let me start by asking Nick von Westenholz from the NFU.

Nick von Westenholz: Thank you, Chair. Good afternoon.

Obviously, there is a lot of data that can be provided on trade flows; I think some of that was in our submission to the committee. I can certainly provide more if required.

Generally, the volume of trade is lower than it might be on many products, although not when it comes to certain products; for example, New Zealand, which is a member of the CPTPP, exports significant quantities of lamb to the UK, and Canada exports significant quantities of wheat to the UK. Those are some of the stand-out items. Trade and exports going the other way—from the UK—are probably stronger in processed products than in raw agricultural commodities. I do not want to spend 10 minutes of our time going through all the data. I think it is in our submission. If it is not, I can provide it.

The Chair: Your submissions have always been very helpful. Thank you. Let me go back to one thing you said. You said that trade volumes were lower than they might be. Explain that, please. What is the comparison you are making—between now and what?

Nick von Westenholz: I am talking about liberalisation. The current negotiations with Australia and New Zealand would be looking to liberalise trade by eliminating tariffs. That would be more significant for imports into the UK where tariffs are generally higher, particularly with those two countries where MFN tariffs—the general tariffs that apply to

world trade—are lower. Both the CPTPP and the bilateral trade deals would seek to reduce significantly tariffs on trade going both ways.

The Chair: I just wanted to be clear that the comparison you were drawing was between the current circumstances and the circumstances if there were trade deals. It could have been a reference to something else, such as Covid-19 or something of that sort, but that is not what you were referring to. That is fine.

The rest of it may come out, but let me ask particularly about trade levels in meat and livestock. Can I ask our witness Mary Johnson to deal with that and give us a bit of context for the rest of our session?

Mary Johnson: Certainly, Chair. I thought I might just provide a bit of background to Meat & Livestock Australia before I begin.

Meat & Livestock Australia is a producer-owned company. We work on behalf of Australian beef, sheepmeat and goat meat producers. We could liken it to the Agriculture and Horticulture Development Board in England or Quality Meat Scotland. We invest in marketing and research and development on behalf of our members, particularly in our international markets and domestically when it comes to marketing.

Looking specifically at the UK-Australia red meat trade, Australia's access to the market is restricted by tariff rate quotas. For beef, we are restricted to 3,761 tonnes per annum, and for sheepmeat, it is 13,355 tonnes per annum. Australia's trade with the UK in 2020 was 0.5% of the UK's beef imports and about 14% of the UK's sheepmeat imports. Those are relatively small figures if you think about the UK importing over 300,000 tonnes of beef and over 67,000 tonnes of sheepmeat last year.

There is no existing red meat trade going the other way—UK to Australia—but there are no tariffs or quotas to prohibit that trade.

The Chair: We want to explore that to some extent. You talk about Australia. Lord Robathan may want to pick up on the position in relation to New Zealand. I invite him to do so at this point.

Q25 **Lord Robathan:** Thank you. I want to talk about both New Zealand and Australia. I understand that, when we joined the EU, there was a quota of New Zealand lamb and a quota of Australian beef. I understand the quota of New Zealand lamb. This is really a question for Mr von Westenholz. The New Zealand lamb quota into the UK was 114,000 tonnes per year and that has never been fulfilled. Since we have left the EU, we have said that we will continue with that quota and yet 114,000 tonnes of New Zealand lamb will still be allowed to go into the EU, so that is twice the amount. I understand there is something similar with the quota from Australian beef into the EU. It has never been fulfilled. Can you please tell me if that is the case? If so, I am not quite sure why there is this determination that we should not broaden our market with Australia and New Zealand. Perhaps you might like to answer, Mr von Westenholz.

Nick von Westenholz: The quotas exist. They were brought in following the UK's accession to the Common Market but, as they exist now, they are quotas for the entire EU. I cannot remember the New Zealand lamb quota off the top of my head, but it was for maybe 220,000 tonnes into the EU.

Lord Robathan: 114,000, I think.

Nick von Westenholz: The quota for the EU was 220,000 tonnes. There are lots of these quotas. Following Brexit, the process at the WTO with the UK mission in Geneva has been to negotiate the splitting up of those quotas between the EU and the UK, depending on usage of those quotas. Quotas for lamb were roughly equally split. About half of the lamb exports from New Zealand, over a three-year average, went to the EU 27 and the other half to the UK. The quota was divided roughly half and half. That is why the UK is now operating a New Zealand lamb quota of around 114,000 tonnes.

In recent years, New Zealand has not filled that quota but I understand that, in past years, they have reached the total EU quota. Depending on many factors, the New Zealand lamb industry has sometimes been exporting significant quantities to this part of the world—certainly well over the remaining UK quota. One of the arguments that New Zealand has made is that the split is unfair because now it will not have access to 220,000 tonnes of lamb into the UK market should it want to fill that quota; it could only have up to the 114,000 tonnes. Other countries are making similar arguments for their quotas. Over the last few years, New Zealand has not looked to fill the UK quota. It is possible that New Zealand may want to in future years; it has certainly argued that that quota should be much bigger.

Ultimately, there is a debate about what the fair size of those quotas ought to be, given that it is possible to fill those quotas in certain circumstances. In some years, those quotas will not be filled. That does not necessarily mean they might not be filled in the future.

Lord Robathan: I should have declared at the beginning that I am a farmer and I have beef cattle and sheep on my farm, although I do not own them.

You have said that the quotas are not currently filled and yet you are protesting—or the NFU is protesting—that they are too big. Or are you saying they are too small? What is it? What is the problem with sheepmeat from New Zealand or beef from Australia?

Nick von Westenholz: There is not necessarily a problem with the sheepmeat or the beef from Australia. I do not see why the fact that New Zealand did not fill its quota this year, or in a recent year, means that we should therefore expand the quota, or even just get rid of the quotas because it somehow precludes the chance that they may fill that quota in the future. That is not necessarily a helpful way of looking at it. I think the question and the debate should be about whether we want to

liberalise trade in a way that New Zealand, or whoever it may be, can send large volumes of produce here, if they would like to. Maybe we are saying that is absolutely fine. We are pointing out that, in many of these areas, New Zealand sheep farmers, for example, have significantly lower costs of production than UK farmers and that means that they are likely to be able, if they wish, to compete pretty well against UK farmers. They may not want to. They may want to send their produce elsewhere, but they can, if they want to, send it to the UK. Therefore, if we are going to allow that through significant market access, we should understand the potential implications for UK farmers. If we are comfortable with UK farmers struggling to compete, that is fine, but if we are not, we need to be cognisant of the implications of giving either very large quotas or even total liberalisation.

The Chair: Mr von Westenholz, that is rather what we want to know from you. What does the NFU say are the implications for UK farmers?

Nick von Westenholz: I am sure it will not surprise you to know that our interest is in the viability of UK farmers' ongoing businesses. We will not support a direction of travel that we think risks the viability of farmers' businesses. We think that there is a balanced approach where you can liberalise trade and increase market access for overseas producers. The New Zealand lamb quota is probably an unhelpful example because it is a very stark and almost unique example of where there is a pretty big tariff-free quota for an overseas producer for a product that we produce in the UK. In most other cases, that does not exist. We would expect FTAs, or other agreements, to increase market access for overseas producers. Mary spoke about Australia's pretty small quota. There is no doubt that an FTA would increase the quota and mean more market access for those countries. All we are saying is that maybe there should be limits and safeguards so that if large volumes coming into the UK were damaging UK producers, we could do something about it and not have to sit back and let the damage continue unimpeded.

The Chair: Before I go back to my colleagues, Mr von Westenholz, I understand where you are coming from, but please understand this committee's job. We have to examine, from evidence, the potential impact of certain things and express our opinion about it, which can be taken into account as the Government will. We understand that farmers are worried about competition but a bit more meat—I do not mean to pun; a bit more detail, I mean—about the risks you are referring to would be helpful. If you are saying that it would be all right if there were different arrangements, we need to know what you say those arrangements ought to be, if you can say so.

Nick von Westenholz: In the last few weeks, it has been suggested that the UK could offer total tariff liberalisation over a period of years so that, at the end of that period, there would be zero tariffs and unlimited imports of all products into the UK. We have said that most trade deals around the world use tariff rate quotas with a volume limit—as we were just discussing with New Zealand lamb. Imports within that volume would

attract a lower or even zero-rated tariff, and volumes of imports that exceed that volume in a given year would attract the normal tariff. With those kinds of arrangements, you have some control over the volumes of imports of produce into the country.

There are other ways, too. You can have safeguards on volumes. These are standard in many FTAs. If volumes exceed a certain threshold, preferential tariffs can be removed. That is another way of allowing the importing country to have some control of the volumes of imports. Those are the sorts of safeguards we are talking about.

The Chair: That is helpful. Lord Lansley will be asking about the things you have been referring to in a moment, but before I go to him, I would like to go to Lord Morris to ask a question about what Australian meat producers are looking for.

Q26 **Lord Morris of Aberavon:** I have no financial interest to declare but I should say that close members of my family farm in three counties of Wales and also in Suffolk.

I would like to know what Australian meat producers and livestock farmers seek from a trade deal with the UK. I have read Mr Hugh Killen's evidence that it could lead to a dramatic increase—perhaps even up to tenfold. Is that on the cards? Is that what you hope to achieve?

Mary Johnson: Thank you for the question.

For context, I will provide a bit of background. Australia has 14 existing free trade agreements with other trading partners and a number of those trading partners are large importers of red meat, importing quality Australian red meat. They include Korea, China and Japan. In all of those free trade agreements, the Australian Government have sought complete liberalisation of the market. That means zero tariffs and zero quotas, which allow for any kind of future trade and growth in trade to be dictated by customer demand. When we are exporting products, we are looking for a demand in the import country. For example, our Japanese customers look for Australian beef. We would similarly look for a zero-tariff, zero-quota, market-liberalising outcome in any Australia-UK FTA negotiations, just as the UK has offered the EU in the economic partnership agreement and just as the UK has access to the Australian market.

We see the opportunity as a customer-driven demand proposition. If British customers need high-quality red meat products, which we know they do—the UK has an import requirement for both beef and sheepmeat—Australian producers would certainly be happy to supply that demand. We trade in more than 100 different markets around the world and different customers have different product requirements. British customers would be competing in an open market so they have to be the customer that is willing to pay the most for the Australian product.

In answer to your question, we are looking for zero tariffs and zero quotas as in other free trade agreements, and any future trade would be driven by customer demand in the market.

Lord Morris of Aberavon: Thank you, but can I be more specific? As I understand it, beef imports from Australia are now 0.5% of our beef imports. According to Mr Hugh Killen, the chief executive of the Australian Agricultural Company, he hopes for a double, triple, or even tenfold increase. Is that what you envisage would happen?

Mary Johnson: There would have to be customers looking for the product. As you correctly stated, exports at the moment are 0.5% of UK imports. That could grow if there was demand from British customers for Australian product. The result of the current constraints due to the tariff rate quotas is that there has been no opportunity for the market to decide to choose Australian products. The way the market is currently structured—the free trading relationship between the EU and the UK, for example—means that it is a lot less expensive to import product into the UK from Ireland, for example. Australian products have been constricted by a very small tariff rate quota and there is a 20% tariff within the quota, so it is 20% more expensive already and you are restricted by that specific volume. The out-of-quota tariff is prohibitive when it comes to trade.

By way of a real-life anecdote, I went to Harrods yesterday to look for some Australian beef. An Australian rib-eye was on sale for £360 a kilo. We are looking at a specific, high-quality product that can currently enter the market; it was a Wagyu rib-eye. Constraints have meant that our product has been limited to specific areas of the market and very small volumes.

On Mr Killen's point in the media, certainly if there was demand from customers in the UK, they could potentially grow that access but it would very much be dependent on future demand for the product.

The Chair: Let me see whether Lord Morris wants to ask anything further.

Lord Morris of Aberavon: Could I follow that up? I was not aware of the imports of lamb. We are much aware of the import of New Zealand lamb, which is seasonal. You have enormous advantages because your sheep are grain-fed. Ours are grass-fed. You have the tremendous advantage of being able to concentrate production whenever you want to. We are inclined to follow the weather. What will be the effect on lamb as opposed to beef?

Mary Johnson: You are correct in identifying the New Zealand lamb prevalence in the market. Australia has not previously been there because of the quota constructs to date.

Yes, some Australian lamb is finished on grain but only during specific times of the year and as required. It is just for a short period to finish the product prior to processing.

As I said earlier, we are exporting to a number of different competitors in the global trading landscape. We have lots of customers close to home who also have a strong demand for lamb. Certainly there would have to be a customer demand in the market for lamb. Australia is similar to New Zealand and has provided that seasonal layover in previous years into the UK. Lamb imports in the lead-up to Easter is traditional. There is also a bit of an increase in demand in the lead-up to Christmas. A bit more lamb comes into the market at times of celebration but the position on Australian lamb—

The Chair: I do not want to interrupt you, Ms Johnson, but I need to move on. Can you just answer this question? You said that, understandably, it depends on demand. Does your association and do your producers have either a prediction or a target or a hope as to what tariff-free, quota-free imports into the UK would produce?

Mary Johnson: The way that the lamb trade with the UK has functioned to date has been to provide specific cuts of lamb that the UK does not have the ability or the capacity to produce. Traditionally, UK shoulder cuts are exported to the EU and there is an underfill, or a demand from customers, for lamb legs, for example. While the UK can provide the amount of lamb that it needs for domestic consumption, it does not necessarily produce the type of lamb that it requires.

The Chair: Forgive me; that is not an answer to the question. Do you—

Mary Johnson: Currently, 67,500 tonnes are imported annually. The majority of that is New Zealand lamb. We would like to compete directly against our New Zealand counterparts to fill that.

The Chair: And beef?

Mary Johnson: At the moment, 300,000 tonnes of beef are imported. We would like to be able to play in that space. We are not looking to compete against British producers but we know that there is a requirement in the market for imports and we would like to be able to service that requirement.

The Chair: I will go now to Lord Lansley, but I can tell there is more to be said on that topic.

Q27 **Lord Lansley:** I am grateful to our witnesses for joining us this afternoon.

Can I start with you, Mr von Westenholz? You were kind enough to refer to a number of potential mitigations to the problems that you perceive from a more immediate liberalisation of beef and lamb imports. What is your view of the potential phase-in to zero tariffs, if it was over something as long as 15 years? Would that mitigate the problems that you perceive? How might the phase-in period be constructed?

Nick von Westenholz: A longer phase-in period allows more time for farmers to adjust, so yes, a longer phase-in period would be better than a short one.

There are questions about what happens at the end of any phase-in period of whatever length. What will UK farming look like? What other policies might enable UK farmers to compete on a level playing field with those imports at whatever volume they might be coming in? Those are the tricky questions. All the variables make it very difficult to predict what volumes will come in, but I think there are ways to try to manage that. I talked about the potential for quotas and safeguards.

If you are talking about total liberalisation at the end of, say, 10 years—namely zero tariffs—you could find yourself at the end of those 10 years with no significant volume of extra imports and therefore no significant negative effect on UK farmers. However, there could be a negative effect. Our suggestion would be to review the impact of liberalisation throughout that period to try to assess the impact on UK producers—and, indeed, UK consumers and UK prices, because those are of course important as well. You could then decide whether the quota would be extended or whether to move to total liberalisation or not. You could review the impact of liberalisation as the deal goes on.

There is another important point. Recent debate has focused on Australia, and it is right that, at the moment, there are limited volumes of beef coming into the UK from Australia, and there are other markets that Australia is rightly more interested in because it is getting a good price there. However, this will set a precedent for other trade deals. We are looking at trade deals with New Zealand, and obviously there is the CPTPP; we are also bilaterally renegotiating trade deals with Canada and Mexico, and the USA discussions are still live. There are also discussions with the Mercosur countries, such as Brazil and Argentina. This is the bigger picture. It is not necessarily about what a total liberalisation deal with Australia would lead to. It is about total liberalisation for all those other countries, all of whom are very large agricultural producers and very effective agricultural exporters.

We are asking for some way of reviewing the impact of liberalisation over a period of years and, if it is damaging UK farmers, the ability to adjust the liberalisation. I am not talking reversing it but certainly you can decide whether to continue down that path if it is having an effect that you do not necessarily want.

Lord Lansley: Forgive me, Chair. I should have said that I do have a family member who is a small-scale producer of beef and lamb in Wales.

Ms Johnson might want to come in here as well. She made a point about the availability of zero-tariff, zero-quota access to the UK market for Irish and French beef producers. Why do you take a different view? Perhaps you do not, but why do you tolerate a different view about beef imports from Ireland or France without tariffs and without quotas, compared with Australia or New Zealand, when in both cases, UK consumers could have a choice?

Nick von Westenholz: I have two points on that. The more potential producers and exporters into the UK market, the more competitive the

market becomes with a potential downward impact on prices. While it might be that Australian beef producers, for example, want to displace Irish beef in the UK market, what you would have is more actors in the UK market. That would put downward pressure on prices, particularly if you look at the Irish, who have significant investments in the process.

Lord Lansley: Forgive me for interrupting, but it might produce upward pressure on quality and downward pressure on costs.

Nick von Westenholz: That is possible, absolutely. The point here is that none of this is inevitable, but it does seem to us that we should be taking prudent safeguarding measures to manage things if they go the wrong way. If they go the right way, none of those safeguards would be problematic.

Lord Lansley: In the structure of things, if we were to say yes, we must liberalise but have safeguards, surely the safeguard that would be available would not be the prior assumption that we cannot liberalise our market to, for example, Australian beef, but that we would liberalise and if there was any consequent damage to UK producers, there would be trade remedies available to us and they could be implemented. However, we have to see what the consequence is, and the consequence, as you quite rightly say, might be the displacement of Irish beef imports to the United Kingdom rather than the displacement of UK production. We do not know what happens in a liberalised market until we open the market. Why can the NFU not contemplate going down that path?

Nick von Westenholz: That is exactly the path the NFU is contemplating going down. We have said that we can liberalise trade and access, you can review the impact of liberalisation over a period of years and, if the liberalisation is manageable and any negative impact is limited, you can continue with it. However, should liberalisation be causing damage to our producers that we decided we did not want, you could pause or halt that process.

That is exactly what you have just set out. That is exactly our position: we try to marry up liberalisation with a degree of safeguards in a way that, if everything works out and if the assessment of many people that the impact will be limited is correct, there is no issue and we continue with the liberalisation process. If things are not working out, you can do something about it. The problem with a totally binding commitment to zero-tariff, zero-quota liberalisation without any of that sort of possibility of review in it is if, contrary to expectations, there is damage, there is nothing we can do and we just have to continue on that path.

Lord Lansley: The point I am making is that there is something that we can do.

Sorry, Chair, I will hand back to you, but can I ask why the NFU did not, in my recollection, make the same point about the trade and co-operation agreement with the EU, and say that we must have a phase-in period for liberalised access to the UK market for Irish beef or French lamb imports?

Nick von Westenholz: The market was already liberalised, so if we had done that, we would have deliberalised, which would have been very disruptive. We recognised that, while imposing tariffs with the EU at the point of departure may have been in the interests of some sectors and some UK farmers, putting up that hyperprotectionist wall would also have had a very significant impact on prices for consumers in the UK. We did advocate the least disruptive approach, which was to maintain the zero-tariff environment we have been in for the last 45 years.

The other point it is important to recognise is that at the moment, as things stand, UK producers produce in almost exactly the same regulatory environment as European producers. We also have very similar production systems, geographies and climates as the producers we compete with in northern European countries. It is—though it might be a term best avoided—a fairly level playing field, so eliminating tariffs does not have a competitive, distorting effect on those sorts of producers. There are some very clear distinctions between the relationship between UK and European producers and with those in other parts of the world, both in terms of the current regulatory environment—

The Chair: Thank you for those comments but I am anxious to get on. Can I do that?

Q28 **Lord Robathan:** Can I just add something? If I might say to the NFU, this is a most extraordinarily protectionist view—perhaps 50 years old. Of course we all need to be precautionary, but you have not produced any evidence at all about how this may damage the UK market. I am a farmer. I want to see the UK market grow and indeed the countryside be protected, but all you have done is be negative. Please, Mr von Westenholz, tell me why we have to protect our consumers when you have already said that it is from something that perhaps may not happen.

Nick von Westenholz: I think I have set out quite a clear direction of travel, which is one of liberalisation. I am slightly at a loss to understand why what I have set out in the last few minutes could be seen as—

Lord Robathan: Read the transcript.

The Chair: All right. You have answered the point but Lord Robathan makes an important point.

Q29 **Lord Kerr of Kinlochard:** I would like to take Mr von Westenholz to his dangerous precedent argument that he made a moment ago to Lord Lansley, on the threat from the Americans, the Brazilians, the Argentinians, the Mexicans, the Canadians and the New Zealanders.

I would like you please to define precisely what this risk is. Is your worry that the Government, if they did a zero-tariff, zero-quota deal with Australia, would find it more difficult to resist pressure from American and other negotiators for the same deal? Is it an MFN point? I do not think it is. Is it that you think that the Government would not want to resist the American negotiators—that if they had done a zero-tariff, quota deal with Australia, it would be because they believed in zero-tariff, zero-quota deals and would go on doing them with other parties? Which of

these is your worry? Supposing the kind of deal that is rumoured is done with Australia, how would you set about trying to ring-fence it, saying that Australia is special? Would you make the seasonal argument, which distinguishes Australia from America and Canada? Would you make a standards argument to distinguish from Brazil, Argentina and America? Would you be constructing a ring-fence and how would you do it?

Nick von Westenholz: In response to your first question, it is not an MFN argument. There are two aspects to it. First, if the first trade deal we do is completely liberalising—with zero tariffs and zero quotas at the end of a transition period—having spoken to a number of trade negotiators, I would say the approach of other countries would be that that is the starting point. If you look at it the other way, with, for example, quotas or other safeguards, other countries coming along would find it much tougher to argue that they should somehow have special additional treatment beyond the sorts of deals that we have already agreed. I think it can be accepted that negotiators would, as a starting point, say, for example, “Australia has a totally liberalised trade deal; that is what we will have as well”. Of course everything is up for negotiation and all these deals will have their differences, but it would be the starting point to negotiations. It would be harder to resist. In answer to your other point, it may well be the desire of UK negotiators and Government.

There is an additional point. Each time we totally liberalise our market, the value of the market is reduced. If Australia, for example, had total access to our market, the UK market for, say, sheepmeat or beef, is a little bit less valuable because another country already has market access. Certainly it is not of much interest to it to have non-liberalised access. If, for example, Australia had total access to the UK market for beef, New Zealand would not be satisfied with the retention of any sort of tariff or quota that would put it at a competitive disadvantage with Australia—and that effect adds up every time you do it.

There is also a question mark over our negotiating capital. For example, if we eventually find ourselves negotiating with Brazil, Argentina and Uruguay through Mercosur, and we have totally devalued the access to the market they would be attracted to—our agricultural market, for example—it would be difficult to see what we could give them and get back in return. So there is a tactical point here about for ever giving away market access and devaluing it. That is the content of our concern.

The Chair: We need to move on. Before we move away completely from beef and lamb, do you know whether Australia has so far achieved zero-tariff, quota-free trade with any other country?

Nick von Westenholz: Mary can answer that. I think it has with somebody, yes.

Mary Johnson: We have total, tariff-free liberalisation in all our FTAs to date, potentially over a phase-in period. That is the market adjustment mechanism that has been used in other FTAs that we have negotiated. In

most cases, we have achieved a zero-tariff, zero-quota end-point after a seven-year phase-in, for example.

The Chair: Thank you. I do want to move on to the CPTPP and some other topics.

Q30 **The Earl of Sandwich:** Moving on to the CPTPP, the focus so far has been on Australia, but Australia is also an important member of the partnership. My questions are for the NFU but I want to give Mr von Westenholz a rest from all these attacks on protectionist policy and so on, so it might be good to talk to David Bowles this time and deal with animal welfare first.

What would be the key benefits and risks for the UK of joining the CPTPP? Would it be any more reassuring to our farmers than the Australian deal? What opportunities would it offer the UK beyond what we might gain bilaterally?

David Bowles: The RSPCA comes at it from two issues: one is the precedent issue, which Nick has rightly espoused, and the other is the Government manifesto commitment not to undermine our animal welfare standards when we do free trade agreements. I am sure we will come on to the animal welfare standards in Australian beef, which I think we can clearly show are well below UK standards.

We have been a member of the EU since 1973. We have equivalence on standards with EU members, such as Ireland, that export a lot of beef to the UK. That is the crucial difference. We have equivalence. We do not have equivalence with Australian beef standards and that scares the RSPCA because not only does it break the Government manifesto but, if we allow in produce that is produced to lower standards, we are essentially exporting our own high animal welfare standards, which we have built up over the last 50 years or so. We inherited 19 farm animal welfare standards from the EU. The RSPCA is very proud of those standards. We know the public want those standards but the public also does not want to be undermined by cheaper food produced to lower standards coming in.

On the precedent point in relation to the CPTPP, of the nations in the CPTPP, possibly only New Zealand has equivalence with the UK in animal welfare standards. New Zealand is the only country that has a rating for farm animal welfare similar to the UK's on the World Animal Protection Index. Australia has an E rating, compared with the UK's D rating. The USA and Canada have an E or F rating. The RSPCA is very concerned about something Nick has just said and that I think has already happened: Canadian negotiators will turn round and say to the UK, "You have given zero tariffs and zero quotas to Australia. We want some of that, please". All of the members of the CPTPP, apart from New Zealand, have lower standards than the UK and they could all undercut UK markets.

I will give you a quick example. As part of our rollover agreement when we left the EU, we rolled over the EU-Canada agreement. That gave

Canada quite a large increase in tariff rate reductions on chicken meat coming in. Chicken is produced at far lower standards in Canada than it is in the UK. If I was a Canadian negotiator, the first thing I would ask for is an increase in the tariff rate quota and move on to other tariff-free quotas, such as on eggs. The UK has started negotiations with India. India uses the conventional battery cage, which the UK got rid of in 2012—nearly 10 years ago. I am worried that we could be undercut by imports of dried eggs and liquid eggs coming into the market, and the consumers would not know what they were buying because they are not labelled.

The Earl of Sandwich: That seems a very fair point. This is a big subject. Lord Gold might want to come in now.

Q31 **Lord Gold:** Thank you. Might I start by following up on what you have just said? Let me declare that I have no farming interests and am really rather ignorant in this area, but one of the thoughts that has been going through my mind as I have been listening to these questions and answers is why it is that we here in the UK cannot compete with producers far away. Your point about the higher standards in production may add to the cost and be a reason. Perhaps before I go back to the CPTPP, you might just respond to that.

David Bowles: Yes. We can compare UK beef standards with Australian beef standards. In Australia, about 1 million of beef cattle are on feed-lots. We do not have feed-lots in the UK. Australia does not have mandatory CCTV in abattoirs. We do have mandatory CCTV in our abattoirs in England. RSPCA Australia rated Australian abattoirs and found that they rated well below the UK's abattoirs. Australia allows the hot branding of cattle. We do not allow that in the UK. We have spent 50 years or so building up our animal welfare standards. For beef, we possibly have less prescriptive standards than we do for, say, chickens or laying hens, where we have specific legislation, but even for beef—where we do not have specific legislation—there are clear parameters where we differ greatly from Australian beef standards, for example in transportation.

The UK Government are about to introduce new legislation, probably stopping the export of live animals to the continent and probably improving our transport times from 24 hours downwards. Australia has a transport time of 48 hours. It is not uncommon for cattle to move from New South Wales and Victoria to Queensland for slaughter, and then be exported from Queensland. That is what concerns the RSPCA. We look at the facts, and the facts are that in, many areas of production—not all; there is more equivalence in sheepmeat production—there is no equivalence with the UK. Why should we be undercut by imports that are not produced to our standards? It also breaks the Government's manifesto commitment.

The Chair: Thank you. We have your answer. We must move on.

Lord Gold: If we do go ahead with the CPTPP, should we be seeking some carve-outs? If so, what sort?

David Bowles: Yes. The main thing that the other CPTPP members will be trying to do is increase agri-food exports. That is always the most contentious part of any free trade agreement. That is why it always left to last. That is what they will want. They have been desperate to open up the big EU market and the EU has resisted. That is why the EU does not have a free trade agreement with the USA or indeed with other countries; it has been resisting.

Canada in particular, but other countries too, will be desperate to open up the UK market as a back door into the European market. I think we should be looking to leave some of these sensitive issues—I mentioned chicken, but there is also eggs and pork meat—where they are using systems that we banned many years ago, such as sow stalls and the barren battery cage, and which still exist in Australia, Canada and the USA. We should be very resistant to exporting our high animal welfare standards to other countries.

Lord Gold: Does Mr von Westenholz have anything to add to that?

Nick von Westenholz: David has obviously covered the welfare issues. The costs of production in many of those countries are strikingly different from those in the UK. To be honest, we would hope to close that gap and improve our productivity and competitiveness here but there are many reasons why costs are high here. David has outlined some of them.

The Chair: The specific question, Mr von Westenholz, is this: would you be seeking any specific carve-outs in the CPTPP negotiations?

Nick von Westenholz: Yes, we would. We are not sure how straightforward that would be because CPTPP members have made it very clear that access to the CPTPP will be on the current terms of the agreement without any carve-outs. They are very reluctant to agree to any carve-outs or deviation from the precise terms. We would like to carve out a number of areas—rules of origin, for example, and maybe some specific tariff concessions and so on—but it is not clear whether that would be possible.

The Chair: Thank you. Lord Gold, do you have another question for Mary Johnson?

Lord Gold: Yes. Thank you, Chair. I want to ask about the advantages to the Australia meat and livestock sector from Australia joining the CPTPP. As I understand it, your market much closer to Australia has opened up a great deal. When commenting, Ms Johnson, perhaps you might say whether that is likely to lead to Australian producers being less enthusiastic about sending their stock here.

Mary Johnson: First, to preface my comments, the red meat sector in Australia was a very strong supporter of the Australian Government participating in the CPTPP negotiations. The member countries account for 27% of our combined beef, sheepmeat and offal trade. There were some very strong existing markets within the TPP-11 membership—Japan, Mexico and Canada, for example—but the conclusion of the deal

and the entry into force of the CPTPP has also provided us with new market opportunities. For example, Peru is a new market for Australian red meat products and there is potential there. We are very strong supporters of the deal. It is trade-transformational. It removed tariffs and any other limitations on the market and there is no perpetual quota regime. It was a great opportunity for us and we are strong supporters of it.

Lord Gold: Thank you very much.

The Chair: Can we continue with animal welfare? I would like to ask Baroness Liddell to ask her question at this point.

Q32 **Baroness Liddell of Coatdyke:** Thank you. A lot of what I was going to ask about has been covered by David Bowles. There are no provisions on animal welfare in the CPTPP. How can we find a mechanism to secure safeguards for our standards? It looks as if that will be one of the key issues around whether or not the CPTPP works for us.

David Bowles: We should be looking for two safeguards. One is already within our legislation. The UK inherited a number of animal health bans from the EU, and rightly so. For instance, we ban the import of hormones for beef production or meat from beef production that uses hormones. About 40% of Australian beef is implanted with hormones so we could not import it because we would be breaking the law if we did so.

Some other issues are not part of trade bans but are part of our domestic legislation. I have mentioned the decades of hard work that our Government have been doing to raise animal welfare standards in areas such as the production of chicken meat, laying hens, pigs and calves. If we are going to spend all this time reacting to the public, who demand higher animal welfare standards, then farmers react to that and produce those higher welfare standards, we should ensure that we safeguard those standards when we go into trade deals. It is important that the UK Government tell CPTPP members that animal welfare is a red line for us. It is in our manifesto. We will not lower our standards so that is off the table before we begin negotiations. That would be a very clear message. New Zealand does that in trade negotiations. Animal welfare is an integral part of New Zealand trade negotiations and every country knows, before it sits down with New Zealand, what it is going to be asking for.

Q33 **Baroness Liddell of Coatdyke:** That is very helpful. It is quite clear.

Mary Johnson, if we start to negotiate these safeguards, how can you be absolutely sure that they would operate across Australia, because the lead on that is not with the federal Government but with the states and territories, which can lead to an unbalanced system?

Mary Johnson: I do not think it leads to an unbalanced system, but certainly our regulatory approach is slightly different from the UK's because, as you correctly point out, we have a federal system. However, high animal welfare standards are an extremely important component of farming in Australia and good animal welfare outcomes are essential to the sustainability of our sector.

We are confident that our outcomes meet or achieve similar outcomes to the UK's. However, as has been pointed out, our approach might be different due to our different production systems, climate, animal breeds and so on. I am happy to write to the committee to comment on a couple of David's comments. Animal protection is enshrined in Australian law and the OIE (World Organisation for Animal Health) has benchmarked Australia at level 5 in competency, which is the highest level when it comes to animal welfare and biosecurity. We can meet outcomes equivalent to the UK's. They may not be replications of UK systems but we are very confident about our systems and stand behind them in our access to many different markets around the world.

The Chair: Thank you for offering to write to us. We would like that. This is obviously a matter of great public interest and what you say about the impact of animal welfare will be very important.

On an allied question, there are issues about the specific production methods that UK farmers might be unable to follow if we were to join the CPTPP. Lord Kerr wanted to ask about that; I invite him to do so at this point.

Q34 **Lord Kerr of Kinlochard:** Thank you. My question is a follow-up to what Mr Bowles and Mr von Westenholz were saying a few minutes ago.

If we joined the CPTPP, would we be able to prohibit the import into Britain of meat produced using production methods that are illegal in this country? Mr von Westenholz seemed to be saying that carve-outs would not be possible. What means would we have for making such a prohibition part of our terms for joining the CPTPP?

David Bowles: Yes, it is quite interesting. I mentioned that we have import bans on certain animal health issues, such as beef hormones, but we also have an import ban on meat that is not slaughtered according to UK standards. That is another piece of legislation that we have taken out of the EU's piece of legislation. As I mentioned earlier, I believe that there are very clear cases where the standards in Australian abattoirs—even in the export abattoirs—do not meet the standards of our abattoirs. There are independent reports that have already looked at those standards.

Q35 **Lord Kerr of Kinlochard:** This is a technical question: would we have a means of retaining our prohibition on meat produced using production methods of which we disapprove if we were members of the CPTPP?

David Bowles: We have an import ban on meat that has not been slaughtered according to our standards. We would have to change that legislation if the countries in the CPTPP wanted to export meat that was not produced to our standards. I think we should keep our standards and not change them. Obviously that will be part of the negotiations, and that is the real danger of negotiation with CPTPP countries. The first thing they will ask is, "You have standards, such as on laying hens or chickens"—possibly this is not relevant for Australia, but it is for Canada—"therefore, we want to export our standards to you". If the UK is

giving zero tariffs without quotas, it will be very difficult for us to argue that they should be coming in only at our standards.

Lord Kerr of Kinlochard: I understand that. Technically, would it be possible to join the CPTPP and retain a prohibition on meat produced to production standards of which we disapprove?

David Bowles: Yes, I think it would be possible. That would be part of the negotiation with other members of the CPTPP.

Lord Kerr of Kinlochard: But it would be possible? Mr von Westenholz was saying a moment ago that it is a take-it-or-leave-it deal, and carve-outs will not be possible. Is that your view, Mr von Westenholz, or do you agree with Mr Bowles that we could retain such a prohibition?

Nick von Westenholz: I think we need to be clear about the distinction between production methods and product standards. Things like, for example, the ban on hormones is a ban on the basis of the product standard. As David said, where you have a prohibition under what we call our SPS controls, that will still exist. As long as you can justify your ban on health grounds, essentially, you can continue to impose that ban. Although there is an SPS chapter within the CPTPP—as there is at the WTO—that will allow disputes to be raised and other countries to challenge those bans. As David said, that would require a change in domestic UK law to allow that in.

When it comes to production methods and other animal welfare issues that UK farmers might be banned from doing, but are not banned on imports, it is highly unlikely that the CPTPP would enable such a ban. In fact, I think it is going to be very difficult to insert those sorts of requirements of bans in bilateral trade agreements, although anything is possible to negotiate. I do not think there is an expectation that the CPTPP will suddenly allow the UK Government to include bans on production methods that currently are not essentially banned from imports.

The Chair: If you want to add anything further to that in a written note—or indeed anyone else, if Mary Johnson wants to do that—please do so. I will move to Lord Watts.

Q36 **Lord Watts:** Do you see any issues with any of the provisions in the CPTPP over visions in the Australian trade agreement that may clash with the EU's strict requirements for food and agricultural goods, and what could those impacts be on farmers and the agri-food business? I am really asking whether there are any implications for those two deals having an impact on our relationship with the EU.

Nick von Westenholz: It is possible. It relates to the comments I was just making. Under the CPTPP, it may be that other member countries challenge some of the regulations and standards that the UK currently observes. If we were to ban or reject imports—let us use hormone-treated beef as the example, which is an EU-wide ban—it could be possible that other countries within the CPTPP object to that and

challenge it. The SPS arrangements under the CPTPP essentially follow the US model when they were involved in those negotiations. If that happened and the challenge was successful, you would have a situation where you have a very difficult tension, because essentially you are being asked to import food that would be banned from the EU. That would clearly create an immediate problem. Our market would suddenly become open to imports that could not go on to the EU, and that would clearly create friction and additional barriers with the EU market. It is possible. It is not a fact from the start, but you can see how those sorts of situations would arise.

Lord Watts: David, can you comment on this issue? Earlier, you were talking about our present guidelines from the EU agreements and how, if we had other agreements, they would impact on our original EU agreements that we have at the present time.

David Bowles: Yes, I agree with Nick. The SPS issues are probably the easiest ones. If we relaxed and got rid of our beef hormone ban, the EU would still have its ban, and it would be adamant that it does not want any leakage of beef coming in to us that has been treated with hormones going on to it.

One issue that has not been covered is that we have two trade agreements going on at the moment. We have the UK-Australia one, which is supposedly quite near the end, and we have the EU-Australia one, which is apparently not near the end. One of the interesting points that has not been looked at in any detail is Northern Ireland. Northern Ireland is part of the EU's SPS area and is part of the EU's rules. There needs to be a lot more discussion regarding what happens if the EU does a trade agreement with Australia, and the UK with Australia as well, and they are different agreements. How do we stop the leakage of products from Great Britain into Northern Ireland, which is under a different SPS and a different free trade agreement?

Lord Watts: I want to ask about one small issue. How would the EU, for example, know that we were maintaining our standards after we entered into a different agreement with a different body?

David Bowles: It would be down to legislation. We mentioned the animal health SPS bans that already exist on things like the beef hormone, ractopamine and so on. The EU would be able to tell if we changed our legislation. We would have to change our legislation before those products were allowed in, and that would be a red light for it.

The Chair: We have a change of topic. Lord Foster, please.

Q37 **Lord Foster of Bath:** Thank you. I want to explore geographical indicators for a minute or two, both in terms of the CPTPP and separately on Australia. In terms of the CPTPP, I would like to turn to Nick. We know that the CPTPP has rules on the protection of GIs, but they do not specify which GIs should be protected and rely on side letters between the parties that are members of the CPTPP. The NFU has said that securing

the UK's GIs that we currently have and ensuring that they are protected under the CPTPP should be a high priority for the Government. Yet we already know that some of the members—New Zealand is a good example—are very reluctant to sign up to almost any GIs, other than wine and spirits. Nick, given that it is such a high priority for you, can you tell us that we can proceed and sign up to a deal that you yourself have said is more or less a take-it-or-leave-it deal?

Nick von Westenholz: Yes. You have outlined the challenge. We hope our negotiators fight a tough fight and can secure the outcome we hope for. There is not a lot I can add. It will be difficult. It is not clear that an acceding country like the UK will be able to agree side letters. It is possible, but it seems at the moment that members are saying that they do not want acceding countries to have side letters. As you say, there are countries within the CPTPP that object heavily to the use of GIs, but it is something we think is really important for UK producers and adds value to what they do.

Lord Watts: Can you follow that up by telling us what you think the implications would be, and how serious it is, of us going ahead with signing and joining up to the CPTPP without having secured very many, if any, of the side letters that I referred to?

Nick von Westenholz: We know that, if UK farming is to grow, do better at exports and get the benefits from some of these deals, it is likely to be in the higher-value, higher-end, higher-quality products. It is unlikely to be bulk commodities. It is going to be lower volumes but higher quality, and the GI system is really important in underpinning that. It is not the be-all and end-all, but it is a very important aspect of that. It is something we think is going to be really important if we are to export more and get some of the benefits from these trade deals.

Lord Watts: Would you still want us to go ahead and sign and join even without the side letters agreed?

Nick von Westenholz: There are lots of aspects to CPTPP accession that we may take a view on. This is one of them, yes. If we are not able to secure GIs, or protections for our GIs, that is something we would be very concerned about.

Lord Watts: Thank you for that. I will turn to Mary, briefly, on the Australia trade deal. She might want to comment on the CPTPP issue as well. We know that Australia is already having sticking points in negotiations with the European Union over GIs. Does that presage difficulties for us in doing a trade deal with Australia?

Mary Johnson: Yes. You have correctly identified that Australia and the EU are currently negotiating a free trade agreement, and the EU has put forward that an outcome on GIs is an important part of its market access outcome. Those negotiations are still ongoing. The key thing is that Australia protects GIs using our certification trademark framework. We have a different method for protecting that terminology, and adopting the EU GI protection system would require reforms to our legislative

framework. I do not speak on behalf of the Australian Government, but there is ongoing consultation between them and the supply chain, or civil society, to glean their insights into what a GI outcome might look like and their support for that.

Also, I understand that a lot of countries with which the EU has recently finalised FTAs have also had to change their legislative framework in order to utilise that EU GI protection system. The Australia-EU negotiation is still ongoing, and it is certainly not a no from the Australian Government at this stage, but nothing has been agreed yet. It is that different protection system, and it would require change to our legislation.

Lord Watts: Without committing yourself, would you be willing to try to find out from your counterparts back home what side letters have been signed between Australia and other CPTPP members, and share them with us?

Mary Johnson: On GIs?

Lord Watts: Yes.

Mary Johnson: I am not sure. I would have to look into GIs, but I can certainly do that for you.

Lord Watts: Thank you.

The Chair: We need to turn to environmental protection; Lord Oates wants to ask about that. Lord Oates, let me also note that I know that, at an earlier stage in the conversation, there was something else you wanted to ask. As you are our last questioner, if you want to do that, please do so as well.

Q38 **Lord Oates:** Thank you, but it was admirably asked by Lord Gold, so there is no need for that. You are right: I would like to turn to the issue of climate change and environmental protection. I should note, unwelcome as I am sure it will be, that if we are going to tackle the climate crisis, we are all going to have to eat a lot less red meat. That might not be a positive outcome. Nick, what will be the impact of CPTPP accession on UK policy objectives in terms of climate and other environmental protections, particularly in the agri-food sectors? Can you also touch on the impact of an Australia bilateral deal? I think it is fair to say that Australia has less of a focus on mitigating climate change than perhaps the UK has at the moment, but perhaps Mary could come in after Nick and answer as well.

Nick von Westenholz: I refer back to my earlier answer about the difference between product methods and production methods. Obviously, a lot of the environmental issues fall within the production/method area. There is no doubt that they are very difficult to deal with in trade agreements, where essentially your concern is with the product coming across your border and whether that is safe, rather than how it is being produced. Nevertheless, you can, of course, negotiate anything in a trade deal, or certainly seek to. It just remains to be seen how the UK

negotiators are proposing to deal with some of the climate change commitments that we have in the UK and try to get them aligned with Australia or any of the other bilateral partners we are dealing with.

In terms of the potential impact on UK farming, again, this comes to the concerns we were talking about right at the beginning. There are pretty high expectations, requirements and regulations on farmers now in the UK in terms of environmental performance. The domestic policy agenda now is very much focused on improving and increasing that. Direct payments—the old EU CAP system—is being phased out, meaning that there is less income coming through that and there is more focus on providing public money for public goods. It is not clear the degree to which that might make a business case for farmers to deliver that. Assuming that farmers in the UK do want to improve their environmental performance—whether through incentive or because, I hope, they want to—the question arises of how they do that in a way that competes with other farmers around the world who have very low costs of production and are often not producing to those high environmental standards.

If UK farmers are outcompeted and, therefore, consumers are buying more from those overseas farmers and less from the UK, the implications are very obvious. You have fewer farmers in the UK undertaking those environmental works and, instead, UK consumers incentivising farmers overseas who might be engaging in more environmentally damaging practices. That is the key concern: the mismatch between trade and domestic policy.

Lord Oates: Have you done any work or research on the carbon output per unit of production in terms of some of the areas where we compete, and how that compares with other countries in the CPTPP? Clearly, that could have implications for our carbon footprint if we end up buying more Australian beef or New Zealand lamb and less British produce.

Nick von Westenholz: We have not. I can revert back to the committee, have some discussions and see what information around that I can provide to the committee after today's session.

Lord Oates: Can I give Mary a chance to respond on that?

Mary Johnson: Yes, I am happy to do so. I am speaking on behalf of the Australian red meat sector. The Australian red meat industry was the first in the world to set a target to be carbon neutral by 2030. Environmental impact, and the interest from customers and consumers around the world in that space, is something that we are keenly aware of. Our target has been set, and we are investing significantly in research and development in order to be able to meet it. That is right across the supply chain, from the farm right through the supply chain. In terms of progress to date, we have reduced our emissions in the sector by more than 57% over the last decade. We are certainly on our way to hitting that target, and it is something our industry is working extremely hard on.

Lord Oates: Thank you.

Q39 **The Chair:** I am going to bring the session to a close in a moment. Do any of our three excellent witnesses—I am going to thank them in a moment—want to say anything by way of final observation? If so, I ask you to do it very quickly. I will start with you, Mary Johnson. Is there anything final you would like to say?

Mary Johnson: Yes. I would just like to say thank you for having me this afternoon. I will leave with you Australia's position on the free trade agreement negotiations with the UK. We certainly aim to export based on customer demand in the market, and we pride ourselves on being high-quality producers of red meat products. We would like to be able to service the UK customer requirement for imports if an FTA is agreed.

David Bowles: I also thank the committee for inviting me along today. I have really enjoyed it, and hope that you got a lot of useful information. I think it refers back to the Government's manifesto. The committee should ask the Government how they intend to enact the process to assess whether they are, in free trade agreements, undermining our own animal welfare standards. The Government do not have a trade strategy at the moment and it is not clear to me, apart from signing as many free trade agreements as possible, what their intention is with many of these FTAs. I have yet to see from the Government any proposal or any process in how they will measure and not undermine animal welfare standards in free trade agreements in the future.

The Chair: Thank you. That is an important point. Nick, finally.

Nick von Westenholz: Thank you very much for having me as well. Just briefly, because there seemed to be some misunderstanding about it earlier, the NFU's position on this is that we support the Government's agenda on doing free trade agreements, whether with Australia or anybody else. We accept that those free trade agreements will be liberalising and will lead to greater market access here. What we want to do is ensure that there are safeguards so that, if those FTAs start damaging the sector, the Government have something in their pocket to try to arrest that damage. That is a sensible middle ground, in a way, in which we can do what the Government have said they want to do: have a liberalising trade policy and also support British farmers.

The Chair: Thank you. As I said before, if there is anything further you want to say to us in writing as to how one achieves that, please let us have it; I understand the objective, but the practicalities as to how one gets there may be a bit trickier. Obviously, we invite others to comment on it if that is so.

Thank you. All three of you have been excellent. I am very grateful for the time you have given and the expertise you have shown. You have helped enormously—or you may have made our job more difficult; I do not know which way it will be until the committee considers it—and I am very grateful indeed. I call this meeting to a close.