

International Trade Committee

Oral evidence: UK trade negotiations, HC 127

Wednesday 7 July 2021

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

Questions 152 - 195

Witnesses

I: Rt Hon. Liz Truss MP, Secretary of State for International Trade, Department for International Trade; and Vivien Life, Chief Negotiator, Department for International Trade.



Examination of witnesses

Witnesses: Liz Truss and Vivien Life.

Q152 **Chair:** Welcome to this session of the International Trade Committee, where we are looking at the UK-Australia trade agreement in principle. We are very pleased to have the Secretary of State and the chief negotiator here today. Before we get going, Secretary of State, you are going to have a few words. We only have an hour and we are starting the clock after you finish, but you might want to introduce yourself, your colleague and say your piece.

Elizabeth Truss: Thanks very much, Chair. I am here today with Vivien Life, who is our chief negotiator on the Australia trade deal. It is good to be in front of the Committee after we have achieved agreement in principle. This is the first deal that the UK has agreed from scratch and it demonstrates our approach as a newly independent trading nation, fundamentally pro trade and pro liberalisation. We also know that trade needs to be fair as well as free, so we uphold high standards and we want to see a similar approach from our trading partners.

The deal between the UK and Australia supports a trading relationship that was worth £14 billion last year, although in a typical year it has been more like £18 billion. It is also a clear stepping-stone to joining the Trans-Pacific Partnership. On goods this deal provides full liberalisation for UK exports. From whisky to cars, the products will be tariff-free entering Australia. We have also achieved strong rules of origin provisions, particularly in automotive, making it easier for British car exporters to sell to Australia. What this deal will see is a total of £124 million of tariffs that are currently paid by UK exporters removed and £34 of tariffs currently paid by Australian exporters removed. We have also built in an important period of transition for agriculture to reflect the time taken for the domestic reforms that we are undertaking. The deal means that Australian farmers will only have the same access to UK markets as EU farmers do, in 15 years' time.

On services, the deal goes beyond any FTA that we or Australia have signed, apart from Australia's deal with New Zealand. For example, on mobility, we have secured unprecedented bound commitments from Australia that will guarantee visa access across priority sectors for UK businesses. This covers professionals from lawyers to engineers to architects to management consultants, as well as sectors such as construction, education and advertising.

We have also agreed a binding commitment that professionals across all business categories will not be subject to an economic needs test. This means that the UK's workers will be considered for jobs on the same basis as Australians, in a unique arrangement, which is unique apart from its arrangement with New Zealand. Under-35s will be able to live and work in Australia for three years with no strings attached, as a requirement for Brits to undertake specified work such as on a farm will



be removed. This is a completely new commitment from Australia, which has not removed this specified work requirement for any other nation.

On investment, we have secured strong provisions at federal and state level, which ban residency requirements and performance requirements. On whisky, Australia has agreed to additional legal protection, which will require consultation with their states and territories as well as with New Zealand. On procurement, we have the most comprehensive procurement deal Australia has ever offered, securing fair access for our businesses to billions of pounds in contracts at both a state and a federal level.

This has all been agreed in principle; it is important to highlight that. Our task and Vivien's task over the next few months is to make sure that all of those details are fully encapsulated in the legal text. I and the team will be working hard to make sure that all of those items are delivered for the United Kingdom. Once we have done that, Chairman, I will bring the fully agreed text to your Committee before it has been published, as I have committed to do before. We will have the Trade and Agriculture Commission established by that point. It will also have access to it so that it is able to provide its full report. There will be plenty of time for parliamentarians to examine the deal as part of our scrutiny process, which is in line with other parliamentary democracies. The agreement will then be laid in Parliament for the purposes of CRAG in order to ensure that MPs have that time to consider it.

As we recover from the pandemic, this deal demonstrates what we are capable of as a sovereign nation, looking to the future and embracing opportunity. It is also very important at this time in global trade that we are working with some of our closest friends around the world to build back better. I am very happy to answer any questions the Committee might have, Mr Chairman.

Q153 Chair: Thank you very much, Secretary of State. We will have an hour starting from now. Given that we just have a short time and there is great interest in this, you will understand that if the Chair's hammer or axe has to fall on certain responses, it is not in discourtesy at all; it is just the fact that we have such a short period of time.

Secretary of State, before we get going, you made some interesting remarks there that you are a pro-trade and pro-liberalisation Government. But watching "Panorama" earlier this week, there is really no country with which the UK could trade with as little hassle as it once did with the 27 others of the European Union. Under this trade with Australia, to trade you are still going to have to fill in forms and go through bureaucracy. You may have tariffs. What sort of form-filling do you think people will have to use? Will it be the same as the onerous forms that they have for the European Union at the moment?

Elizabeth Truss: One of the key points that we have agreed in this deal is the digitisation of trade, and digital certification and contracts. That in



particular will make life much more easy for small and medium-sized enterprises.

Chair: Will it be as it as easy to trade to Australia as it once was to France or Ireland, or even Northern Ireland for that matter,?

Elizabeth Truss: There is always going to be a difference between a single market and a customs union, and a free-trade agreement, because the fundamental difference between our previous arrangements with the EU and our arrangements with Australia or indeed CPTPP is that we retain our sovereignty over our borders, our laws and our money. Necessarily it is not about regulatory harmonisation; it is about mutual recognition of standards. That is what we are doing in this agreement.

Q154 **Chair:** Basically there is no other country that the UK will be able to trade with as freely anywhere in the world as it once did with the members of the European Union. Everything is going to require bureaucracy; everything is going to require forms. Some will require tariffs, some will not. Is that not correct? Is that not the thrust of the “Panorama”—

Elizabeth Truss: We can eliminate the physical paperwork and that is an exciting opportunity.

Chair: But you are going to have digital paperwork.

Elizabeth Truss: Yes, digital certification. We are all using digital certification day to day in the UK. It is a lot simpler and it is a lot easier.

Chair: My question was is there any country that the UK will be able to trade as freely with as it once did with the 27 members of the European Union, or does now every country require either digital or paper or some form of bureaucracy before a trade can be made?

Elizabeth Truss: I would point out there were some areas of the European Union where there was not full market access, particularly in areas like services.

Q155 **Chair:** We are aware of this, but I am talking about goods at the moment. Is there anywhere in the world where we could trade, for instance, in this part of the world where I am, in the Hebrides, shellfish, without paperwork? It would seem everywhere will require paperwork. Every trade the UK is doing, whether it is bits of cars or whatever, there is going to be paperwork. Is that correct?

Elizabeth Truss: The digitisation removes that paperwork. That is what is exciting about both Australia and CPTPP. Indeed, in the new negotiations we have just launched with Singapore, we are looking at the complete removal of paperwork between our ports—complete digitisation between our ports.

Chair: No bureaucracy at all—is that what you are saying?

Elizabeth Truss: What I am saying is it is electronic, so it is a lot lower cost, it is a lot simpler and it is a lot easier. But any trade has to



recognise the fact that it is between sovereign nations. If you have different rules and regulations, which we do and we support having different rules and regulations, you have to make sure that you have the processes to be able to cover it. The point I am making is that you can eliminate a lot of the cost for business by having electronic processes and that is the way we want to go.

We are already the second-largest services exporter in the world and 66% of our services are delivered digitally. That is a huge comparative advantage for the UK. Securing these deals with strong digital and data chapters is really important for that future.

Q156 **Chair:** Moving on quickly, an alarmed bunch of traders came to me, representing about 49 different trade bodies, very worried about the TAP scheme and being able to turn up at trade fairs across the world. They mentioned the difficulties of going to New York, where the Italian Government are apparently taking 50 stands at Fashion in New York. The UK cannot say it is taking any. Going to Siberia for mining products, it cannot be helped. Going to Vietnam is difficult. The pets show in Nuremberg, to name another, for the world pet market, where the UK is apparently a world leader. There are no schemes and no help to get them there. They feel that UK companies have been left behind by the small bits of money required—£1,200; £1,500—to help small companies to get to these trade fairs.

If the UK is becoming, as you like to call it, a trading nation—I would not, obviously, because we are a state of nations, but anyway—in your words, why are you taking away this leg-up for small traders to get trading around the world and to be noticed in some of the key spots, in fashion, in pet shows: in whatever sorts of shows in their various industry areas?

Elizabeth Truss: We are providing funding for trade shows and I am very happy to deal directly with those businesses you mentioned to make sure they are getting the support that they need. Of course, we are approaching a new round of the spending review and I will be making the case very strongly to the Treasury that we do need support for trade shows. It is a key part of projecting ourselves on the international stage.

We have also announced that we are having a global investment summit in October to attract international investment. We have been through a period where trade shows have been mainly online, but as the economy opens up and as we have further opportunities overseas, I am making sure that we are present at all the major trade shows and we are providing support for British business to be at those trade shows. I am happy, Mr Chairman, to furnish the Committee with more details.

Q157 **Chair:** Thank you. I am sure that is good news for the 49 trade organisations that were represented and afraid of the TAP scheme. It looks as if the money tap is back on for that, so that will be good news.

Secretary of State, in a letter to the Committee yesterday, you told us that after signing the deal you anticipate that the final trade agreement



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between the UK and Australia will be publicly available for scrutiny for at least three months before it is laid in Parliament for the purposes of the Constitutional Reform and Governance Act—CRAG, as we call it. When will you be able to confirm how long the agreement will be in public? You said at least three months. What do you see as the timescale for when it is going to start and appear in public? Three months or what?

Elizabeth Truss: I talked in my opening statement about some of the details that we need to lay down that are important in the legal text. It is important that we get that right and I am not going to rush the process. With a lot of the areas, such as making sure that UK companies have proper access at a state level in areas like procurement or investment, we need to make sure we get the text right. Once we are in a position to do that, what I have said is that the Committee and Parliament will have three months to look at it, and I can stick to that commitment. I am not able to give you a precise timeline at this stage, but there will be plenty of time for the Committee. I and the chief negotiator and the Minister for Trade Policy are of course at the Committee's disposal for any questions you might have as follow-ups to this privately so that we can make sure that in advance the Committee has all the information it needs.

I mentioned the Trade and Agriculture Commission. We have put out expressions of interest. We will be confirming the membership of that fairly shortly. At that point we will also of course make sure that the Trade and Agriculture Commission has done the necessary preparatory work prior to receiving the signed text. A lot of the work will come down to examining, for example, Australia's domestic laws on these issues; it will not necessarily require a signed trade document for that work to take place.

Chair: Thanks very much. Much as I would like to keep discussing matters, I have to share with some of my colleagues. With that in mind, I will go to Mick Whitley, who will be standing by.

Q158 **Mick Whitley:** Secretary of State, in yesterday's letter you also said that the agreement in principle is the first step in finalising our agreement with Australia. Yet on 15 June you tweeted out, "Trade deal done", a sentiment that has been much repeated in press reports. We know that there is much more work to do before the agreement is finalised, which you noted would take a period of several months. When can we expect to see the final signed agreements?

Elizabeth Truss: Thank you, Mr Whitley, for that question. We are going through the same process that we went through with Japan and it is the way these deals are done. You reach agreement in principle, which is addressing a lot of the knotty issues and showing the deal can be done, but then there is further work to translate that into legal text. Clearly we are working to make as much progress as possible, but we need to make the text right. I am not going to give a commitment of a definite date but we are hoping to complete that towards the end of this year. That is the amount of time that we will take.



With the Japan deal, we had the additional challenge of translating everything into Japanese, which we do not face with the Australia deal. We have all the core elements of the agreement agreed. It is all laid out in the agreement-in-principle document that we published, but translating that into legal text does take time and we do need to get that process right. That is the process that we are looking to go through with every deal we do. For example, we have stated our aim to get to agreement in principle with New Zealand by the end of August. We will then go through a similar process of working through the text with our New Zealand partners and getting to signature.

Q159 Mick Whitley: You spoke in your opening comments about automotive products going to Australia. Just today, Stellantis made an announcement that its plants in Ellesmere Port would be making all-electric cars or vans, four different badged vans. Obviously the electric pack that drives them is going to be imported from France. If they were exported to Australia, what would be the problems in terms of source of origin?

Elizabeth Truss: What we have agreed—this was a very important part of the agreement in principle, it is in the agreement in principle document—are very advantageous rules of origin, from the UK point of view, on cars. We have agreed the rules of origin provisions are 25% UK content on those types of products, which will enable companies to source the relevant electric vehicle parts from elsewhere and still be able to count towards the rules of origin for export to Australia.

I do not have the figures for Ellesmere Port, but certainly for the north-east of England, we are already exporting over 10,000 cars a year to Australia. There are strong opportunities to do more. We had the very positive announcement from Nissan as well about the new gigafactory. There are lots of opportunities for electric vehicles and what we have negotiated with Australia are advantageous rules of origin that allow us to get zero tariffs into Australia, despite having quite broad supply chains, which is what we have in the automotive industry.

Q160 Mark Garnier: Can I briefly come in? That 25% is very low, is it not, under normal rules?

Elizabeth Truss: Yes.

Mark Garnier: It is normally about 65%.

Elizabeth Truss: Exactly. We have specifically negotiated that to make sure that our automotive industry, our electric car industry, has the flexibility it needs to have the most efficient supply chain and still be able to count towards the zero tariffs into Australia. That is an important principle that we want to establish with Australia, but also negotiate with other trade partners to make sure that our electric vehicle exports remain competitive.

Q161 Chair: On the 35% rule, which companies can use that that are currently manufacturing in the UK? Can they all use it?



Elizabeth Truss: Yes, and it is a 25% rule. It is listed in the agreement in principle document.

Chair: Thank you.

Q162 **Craig Williams:** While I hugely welcome that 25% rule of origin rule on EV vehicles, automotives, going to the agricultural sector, I do not want anywhere near 25% on rules of origin. Could I pick you up on UK farmers? The Trade and Agriculture Commission and Henry Dimbleby in his National Food Strategy report recommended that all FTAs do not lead to UK farmers being undercut by imports with a lower standard. Secretary of State, how has that influenced your broader approach? Vivien, on practical negotiation terms and when you lead text by text, how will that recommendation lead that?

Elizabeth Truss: Thank you very much, Mr Williams. First, on agriculture, we have negotiated a very long transition period for both beef and lamb, two of the more sensitive areas. To put it in perspective, in year one for beef we have a zero-tariff quota of 35,000 tonnes. We are currently importing 320,000 tonnes tariff-free from the EU and we currently consume 1.1 million tonnes here in the UK. So it is a relatively small quantity and it expands over time.

My view is that the UK industry is already very competitive, it is sought around the world and I think that we will see increasingly competitive products coming out of the UK. For example, they have removed the beef ban in America. We are now seeing British beef expand into America. There is a 15% year-on-year demand rise for grass-fed cattle. More importantly, the biggest market for beef and lamb is going to be CPTPP. By 2030 we are expecting 25% of global demand for meat imports to come from CPTPP. Gaining access to Australia and therefore gaining access to CPTPP is going to be very important for Welsh beef and lamb farmers. What we are doing is we are introducing the tariff-free quota over a number of years to make sure that we are not seeing an immediate surge in product. I do not expect that to happen, frankly, because the vast majority of Australian beef and lamb goes to the Asia-Pacific markets, which have higher prices. The price of beef in Japan is twice what it is here in the UK, and the opportunity is more for the UK lamb and beef to also have access to those very high-value markets.

The final point I would make is—I gave you the EU figure on beef, what we are currently importing, 320,000 tonnes, which is, by the way, more than any of the 15 years' quotas for Australia—if there is Australian meat that does come to the UK, albeit from 9,000 miles away, it is most likely to replace some of those imports that we are currently getting from the EU. My view is that UK product is the best in the world. It is produced in a high-quality way, it is produced with high animal welfare standards and it is produced in an environmentally friendly way, and that is going to become increasingly in demand.



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What we have also done in the Australia deal is agree strong animal welfare provisions and a non-regression clause, which is a first in a trade agreement on animal welfare. We have also agreed to work together internationally to raise animal welfare standards. Australia does achieve five out of five on the international animal welfare listing. To preface, maybe, what you were saying towards the end, when we deal with Australia, which has similar standards to the UK, that is different, of course, if we were doing a deal with a country where we feared that it could undercut our farmers with their high standards. Then we might have to take additional steps. I have talked about, for example, using quotas or using tariffs in those cases. But we have to look at them on a case-by-case basis and I want to be very clear that the Australia deal does not set a precedent on agriculture for the deals that we will do with other countries. They will be on a case-by-case basis, they will take into account the standards that those countries have and also the quantity, not to mention the distance, which is 9,000 miles away.

Q163 Craig Williams: You have ruined most of my follow-up questions now by answering them. If agriculture becomes, as I imagine it always does, a sensitive topic, how do you deal with that around the negotiation table and now in the line by line?

Vivien Life: Yes, it is sensitive and political. Therefore, what we had done between the start of the negotiations last summer and April when Minister Teahan came here and met with the Secretary of State, was work through what the deal could look like, but with those decisions and discussions about the most sensitive agricultural products, we could provide assessment and our advice, but in the end it was absolutely right that that was the nub of the things that were being discussed at ministerial level in April. We then followed up with further work through to the agreement in principle. Most of my focus has been on making sure that the rest of the deal has all the good elements in it that the Secretary of State has been outlining, and then the two come together with those high-level political discussions that took place last month.

Q164 Anthony Mangnall: I apologise for being late and also being without a tie. Why have you not included defence in this trade agreement? It seems to be a remarkable omission not to have defence in the trade agreement. I would be interested in trying to understand why this has been excluded and how you deliberated as to what sections would be included in the trade agreement.

Elizabeth Truss: We obviously have a very strong defence relationship with Australia and clearly defence exports are covered as part of the goods exports. Certainly in my liaison with the defence industry, which I speak to regularly, there were no particular issues where there were barriers to trade that we needed to remove.

It is worth pointing that in terms of how we approached this deal overall when we set out our negotiating objectives to Parliament, which we set out last June, we had the trade advisory groups to provide us advice on



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where the barriers to trade were that we need to remove. No barriers for the defence industry were identified. For example, we have successfully exported—

Chair: I will have to move to Mark Hendrick.

Elizabeth Truss: I just wanted to talk about the Type 26s and how we successfully collaborated with Australia on that.

Chair: If defence is not in this agreement, defence is not in this agreement. Defence is either in it or not.

Q165 **Sir Mark Hendrick:** I have a big interest in defence and represent an area with thousands of BAE Systems workers. While I am interested in that as well, I want to stick to the subject, which is agriculture.

Secretary of State, I am flabbergasted that you seek to justify buying lamb and beef from, or even selling lamb and beef to, a country that is 9,000 miles away. At a time, for environmental reasons, when we are all trying to source food more locally—if not from the UK, certainly somewhere nearby because of the impact of food miles—and leaving aside the Brexit argument, what possible rationale could we have for exporting beef and lamb, which could be sourced or sold more locally, to countries thousands and thousands of miles away on the other side of the earth?

Elizabeth Truss: In many cases, in fact, it can be more environmentally friendly trading these products than producing them locally. For example, New Zealand produces lamb with a very low climate change footprint. The climate change footprint of shipping is very low. New Zealand's imports into the European continent have less impact on the climate than some other—you have to look at it on a case-by-case basis. The logic of your argument is that you would not trade with anybody even across the UK and that we would all just eat food from our local village. That is the logical corollary of your argument.

Sir Mark Hendrick: Funny you should say that, because we have a supermarket called Booths that does just that.

Elizabeth Truss: For example, one very important issue for the agriculture business is carcass balance. In my constituency in Norfolk, Cranswick produces pork products. There are products that we like to eat in Britain such as pork belly and bacon. We are not so keen on pigs' trotters and pigs' tails, but there is a huge market for them in China, so we have had huge success in expanding the exports of those products to China. What does that mean? It means that there are more people employed in Norfolk producing that high-quality produce. That is a good thing.

Over time we are looking to make the shipping industry carbon-neutral. We have a project called jet zero, which is about getting to net zero on aviation as well. I think the best way to achieve our climate change goals is through more trade, through sharing innovation and through reaching



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our net-zero targets in collaboration with other countries, rather than putting up the drawbridge and saying we are going to stop trade.

I am able to advise the Committee that the Department for Trade will shortly be putting out a new green-trade paper that explores all these arguments and makes the case for free trade as a way of delivering on our climate change objectives. Free trade is a way of achieving net zero rather than a negative.

Q166 Sir Mark Hendrick: If I can come back on that quickly, I fully understand there are parts of animals that we do not eat in this country and it makes sense to export them to other countries where they do not perhaps farm sheep in the same way that we do, or other parts of animals. In fact, if you wanted to eat Kobe beef, which is a specific type of beef that has important characteristics that make it differ from other beef, I would fully understand it. But for the most part, ships are not yet carbon-neutral and a lot of the shipping backwards and forwards does use carbon. Until we get to that point, I do not see the logic in it. I take your point that we cannot eat everything locally, but there are things that could be done more locally that we are not doing locally and we have no intention of doing locally. That is my gripe.

Elizabeth Truss: I will make another point to you that—

Chair: Briefly, please, Secretary of State.

Elizabeth Truss: Apologies, this is a big topic. For example—

Chair: Yes, but you are only giving us an hour. I think we will have to ask you back because there is an awful lot of detail that we have to unpack. We are under pressure of an hour and if you keep going on tangents, we are going to need a lot more than an hour. Secretary of State, keep it brief.

Elizabeth Truss: I am not sure if it was me who went on a tangent there. Also there is the issue of seasonal products. Some products are in season. In fact, the Australian and New Zealand lamb season is the opposite of the UK lamb season, so they are complementary products and the world needs to be kept supplied all year round. Trade can help to balance seasonality as well. The best way to achieve climate change targets is for all countries to agree to net-zero targets through the COP process, not to try to secure trade agreements with them.

Q167 Mark Garnier: Secretary of State, going back to animal welfare standards, you have quite correctly pointed out that Australia has five out of five points in this animal welfare thing, and a lot of the misunderstanding that is going on at the moment is about the fact that there is a very different climate out there. Moving cattle across the Nullarbor desert takes three days and it is not the same as here, so there are different issues.

You did raise another point that is very important. That is that where



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animal welfare standards are lower in other countries and therefore those farmers can undercut our own farmers, tariffs will be introduced on those products coming in in order to equalise that. My question is more about how this then leans against another trade deal. Let us say, hypothetically, that the European Union expects food products into the European Union to meet certain animal welfare standards. Is there possibly a risk that even if we do impose tariffs on foodstuffs coming from lower standard countries, we may contaminate our food system with these lower standards and therefore cause ourselves a problem in terms of exporting to places like the European Union? Is that a risk? If it is, how do we mitigate it?

Elizabeth Truss: First, it is very important to note that we are not lowering our food import standards. We have SPS standards in place—

Mark Garnier: It is more the welfare standards rather than the SPS.

Elizabeth Truss: —for example, the ban on hormone beef. It is important that we are not changing at all in any trade deal what is allowed to be shipped into Britain. We have protected that in our trade deal with Australia so there will be no hormone-injected beef allowed into the UK.

Mark Garnier: That is a regulatory issues, separate from the trade deal, is it not? If somebody has food that fails to reach an SPS standard—

Elizabeth Truss: There is an SPS chapter in the trade deal. We are not going to do it but, in theory, we could have done something different in the SPS chapter. We have not; we have confirmed the current UK independent approach to SPS.

What I am saying is that the important principle for me is that British farmers with their high standards are able to compete. That does not mean that every country needs to have exactly the same farm regulations as the UK. That is unachievable and undesirable. One of the reasons we left the EU is to have regulatory sovereignty. At the same time, we cannot say that we just want everybody else to follow our rules. But we do need to make sure that we cannot simply have farmers being undercut by low-standard produce without appropriate measures in place. That is something that we will look at on a case-by-case basis in each trade deal, but my judgment, in the discussions we have had with the Australians and the New Zealanders, is those are high-standard producers.

Q168 **Mark Garnier:** In the gentlest of possible ways, what I am trying to get to—you suggested that if something was going to be imported from a completely different country, hypothetically, with lower standards, that you equalise that by having tariffs on it, so if—

Elizabeth Truss: There is a variety of tools in the trade toolbox, including quotas, tariffs and all kinds of methodologies.



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Q169 **Mark Garnier:** The really specific point, though, if I can just nail down this one—Vivien, maybe you are more into the nuts and bolts of the trade deal. Can we, hypothetically, bring in some food that is cheaper to produce and therefore has questionable—let's say it is four out of five—animal welfare standards? If that comes into our chicken and ham pies, let's say, would another country, for example the European Union, then be able to use that against the UK to say that within the food chain or the food industry there is something that does not meet the standards there and therefore the whole of our food chain or food industry then potentially gets contaminated by that? It is how these deals lean against each other.

Elizabeth Truss: That would only be if we changed our SPS standards.

Mark Garnier: So no other country has an issue about animal welfare standards?

Elizabeth Truss: Under the WTO SPS agreement—in fact under the WTO—production methods are not part of what you are able to discriminate on. You are able to discriminate on the basis of food safety.

Mark Garnier: That is something that—

Elizabeth Truss: What I am saying is that animal welfare is an important principle for the UK. This is the first agreement with a specific non-regression clause on animal welfare, because it is an important issue for us.

Q170 **Mark Garnier:** The important point is no other country could turn around and say, "We are not importing your meat pies because you import from a country where we do not like the welfare standards," as opposed to the SPS standards?

Elizabeth Truss: No, absolutely. It is worth pointing out that we already import beef and lamb from Australia. What we are talking about here is expanding the quantities and reducing the tariffs. There is not a change in principle about what type of product we are importing.

Q171 **Mick Whitley:** This is to Vivien. The agreement-in-principle explainer explicitly refers to keeping the UK's import ban on hormone-treated beef. Does this also apply to the import bans on chlorine-washed chicken and ractopamine-treated pork?

Vivien Life: Yes. As the Secretary of State explained, all those existing rules stay in place. We have not changed any of those rules in this agreement.

Q172 **Chair:** Secretary of State, as we know, for every £245 that Brexit will cost UK economy, the Australia deal is going to make up £1, so £245 lost; £1 gained, potentially, with this deal. How much of that will be through goods and animal-product trade? Has there been a breakdown of to what is going to be making up that £1 of gain—which sectors?



Elizabeth Truss: I make a variety of points to your question. First, the analysis you are quoting is a comparative static analysis.

Chair: From your Government.

Elizabeth Truss: It looks at the world as it was a few years ago, not the world as it is in 2030, the world as it is in 2040 or the world as it is in 2050. It is not a forecast; it is a static analysis. It is a useful analysis for comparing different trade deals with each other, but it is not a useful analysis for predicting what our trade with Australia will be in 10 or 20 years' time. In fact, there is separate analysis that suggests a 30% growth in trade with Australia anyway, in addition to gains from the trade deal.

Furthermore, Australia is a key building block for CPTPP, which has potentially huge gains for the UK economy in the future because it is a very fast-growing trade area. So it is not helpful to look at the world as it is now. This is not about gains in the short term, this is about the UK's long-term positioning, putting itself at the heart of some of the fastest-growing markets in the world, particularly with advanced deals in digital and services, where we are the second-largest exporter in the world. That is the real benefit to the UK economy.

Of course, it also benefits goods trade. I have talked about CPTPP having 25% of meat imports by 2030. It is very helpful for things like the car industry where we have very strong rules of origin provisions, but fundamentally the biggest gain is likely to be in areas like data and services. These gravity analyses of trade, useful though they are, are not very good at looking at the benefits for services.

For example, the mobility provisions that we have agreed with Australia are unprecedented, apart from Australia's deal with New Zealand. But it is very hard to put an exact value on British lawyers being able to work in Australia without having to requalify—how do we know exactly what that is going to generate in 10 years' time? We are opening up opportunities but it is going to take Britain's legal firms to walk through the door and take up those opportunities. What this is about is giving more opportunities, giving more alternative markets for our exporters and getting more reliable supply chains for our importers. It is not about looking backwards and wishing we were still a member of the EU, which seems to be your perspective, Mr Chairman.

Q173 **Chair:** Just to be clear on the numbers, and my question was not answered, the point is that Brexit is costing £245 and the Australia trade deal is recouping £1 of that, and a United States deal, if it were ever to happen, would only recoup £10 of that. A New Zealand deal would recoup 50p. The CPTPP, depending on what happens and who else ratifies it, would bring back about £1.50 to £4. Canada will bring back about £1.50. So for the £245 you have lost—every £245 you lose of GDP from the UK going forward, from your own Government's analysis—you are only bringing back about £18, from the figures that I have mentioned. These



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are your own Government's figures. You call them static analysis; they are the only figures you have.

That leaves people watching seeing that the Government are essentially tossing away £245 to start with, hoping to get only £18 of it back—£227 has gone. What are people to make of this? Where is the big hope coming from? The static analysis has to say something. We are looking for a breakdown of what you are going to get from this £1 from Australia in goods and services, and you mentioned also mobility to Australia. I am sure, again, people will be watching and thinking, "We used to have mobility all over Europe when your Government curtailed that and they thought they did a very good thing." That was not agreed with, of course, by many people when mobility and liberty was curtailed in the UK. Will these people who lost that mobility to the EU get that back with the Australian deal?

Elizabeth Truss: Mr Chairman, it seems to me that you are looking at the world as it was, rather than the world as it going to be in the future. By 2030—

Chair: I am looking at what—

Elizabeth Truss: —66% of the world's middle classes are going to be in Asia. They are going to want to buy more products like Scottish whisky, like our cars—

Q174 **Chair:** I am asking what is the GDP gain from this.

Elizabeth Truss: —like our computer games and our financial services. What we are doing is positioning the UK for that world of the future, rather than looking back to a previous era when we were part of the EU. These are the opportunities we have now because we are able to be more flexible, we are able to be more nimble, we are able to be more forward-leaning and we are able to take a more offensive rather than defensive position on trade. That is going to bring big opportunities. The Scotch whisky industry has welcomed the Australia deal, which removes the 5% tariffs. It is going to get additional legal protections for Scotch in Australia. There are huge markets in places like India where we have opportunities to reduce tariffs. I strongly encourage you, Mr Chairman, to look to where the future opportunities are, rather than living in the past.

Q175 **Chair:** I am looking to your Government, with all due respect, Secretary of State, and your numbers. Your numbers from the past and the cost of Brexit—

Elizabeth Truss: They are in the past.

Chair: —versus what you are going to gain in the future. From throwing away £245 with Brexit, you are only going to gain £18. With the Australian trade deal, some people have quipped that if the UK was not in the room, this deal would not look very different. Will the Australians have a second bite at the UK when the UK goes for the small GDP increase that is CPTPP, the Comprehensive and Progressive Trans-Pacific



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Partnership? Or has Australia finished its ask at this stage with the Australian trade agreement?

Elizabeth Truss: I do not accept the premise of your question because I think CPTPP is a huge opportunity and I have explained that—

Q176 **Chair:** What is the GDP figure for CPTPP versus the European Union? How big is it?

Elizabeth Truss: We are expecting trade to grow by 65% by 2030 and that is quite a significant amount.

Chair: If it grows by 65% of 0.08% of GDP, how big is that? Can you tell us?

Elizabeth Truss: I am sure your mental arithmetic is just as good as mine, Mr Chairman. In answer to your question, we have agreed the market-access terms for both the Australia deal and CPTPP. That is made very clear in the agreement-in-principle document. This is a single-pocket negotiation. The market access chapter is closed for both Australia and CPTPP.

Anthony Mangnall: Chair, if I might just—

Chair: I will call you in a second. Taiwo Owatemi first.

Q177 **Taiwo Owatemi:** Secretary of State, I want to ask about the Australian scoping assessment. We seem to have had various headline figures, but we have not been able to get any concrete insight into how the models were made. Is it possible for you to supply the Committee with detailed figures of full modelling and what was used to come up with DIT's headline figures?

Elizabeth Truss: Thank you very much for that question. When we publish the final deal, we will also be publishing a final scoping assessment. If you recall, in the initial scoping assessment, we presented two scenarios. Now that we have the actual terms of the deal, we will be able to do the full economic analysis and provide that assessment. I do point out—

Taiwo Owatemi: When should we expecting it?

Elizabeth Truss: We will publish that at the same time we publish the signed agreement, exactly as we did for Japan. When we launch negotiations, we give the initial scoping assessment, as we did when we launched Australia, as we did when we launched Japan, and we did the same for New Zealand and the same for CPTPP. Once we have finished the agreement and signed that agreement, we will provide the final assessment, which is based not on our negotiating objectives, but on the actual terms that we have negotiated. We will produce that document when we sign the agreement.

It is worth pointing out, as I have just done to the Chairman, that this is a comparative static analysis. It is not a forecast of what the deal will



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deliver in the future. To a large extent that is up to British businesses and the advantage they take of our trade deals. It is an analysis of the likely shifts in the UK economy on a static basis. It does not take into account future market—

Taiwo Owatemi: Thank you, Secretary of State.

Elizabeth Truss: —growth, technology, and so on. It is quite a partial analysis, but it is difficult, as I am sure everybody on this Committee recognises, to predict the future. It is not something many of us can do. If we were, we would probably be playing the stock market rather than sitting around this table.

Q178 **Taiwo Owatemi:** Thank you. As you are aware, time is very limited, so I am trying to get through as many questions as possible.

Vivien, what examples can you give us of where Australian commitments on liberalising trade in services in the agreement in principle go beyond the UK's existing levels of market access?

Vivien Life: An important area is mobility. If you stand back and think about services and think about the different ways in which services are delivered, one is the actual people. It is people delivering services, so everything the Secretary of State has outlined on mobility. I will not repeat it, because of what you have been saying about time.

Another way in which services are delivered is digitally. The Secretary of State was quoting the figure of 66% of UK services being delivered digitally, so the groundbreaking digital agreement in itself enables delivery of services in a whole new way. Similarly, some services are delivered by investment. The fact that we have provisions in the investment agreement, making it easier for companies to invest, that operates both in terms of rules that have happen at federal level but also at individual state level, will be further enabling of delivery of services.

Because financial services is a particularly strong sector for the UK, we have a separate section on financial services. In the end, the delivery of services and how they are regulated—really close regulatory co-operation and a regulatory set-up going forward—will mean not only do they have good access now, but in the future we will be able to co-operate even more closely in the regulatory space.

This also builds on the FinTech bridge that we have between Australia and the UK that has enabled us to look at how you regulate in FinTech, obviously a big strength for the UK in the future. Those are just some examples. I probably will not go on any longer, because I could use up the whole of the rest of the session, but those are some of the top ones that I wanted to convey to you this afternoon.

Q179 **Taiwo Owatemi:** Thank you. How far are agreements in principle or potential final agreement commitments by Australia on trade in services constrained by state-level powers under the country's federal constitution?



Vivien Life: It is a good question. One of the things we wanted to go after in this negotiation was to state-level involvement because the Australian market is quite open but it was at state level—be that on procurement, on regulation of services, or on regulation of investment—that we wanted to seek further commitments. You will see a number of places in the AIP where there is still some consultation going on with states about that, but we are determined to make real inroads into that space and that is one of the ways that makes this a groundbreaking agreement.

Q180 **Taiwo Owatemi:** Finally, the youth mobility scheme and the innovation and early careers skills exchange are described in the agreement in principle as “side initiatives”, sitting outside the FTA. What will be the legal status of these provisions, and will they be binding and subject to dispute resolution in the future?

Vivien Life: This will be an MOU. I would not expect that to have dispute settlement. The existing youth mobility scheme exists between the UK and Australia under an MOU. This will be about upgrading that in all the ways that we have described. I would not see that you would have a need for a dispute settlement arrangement for simply setting out the rules of your two schemes. I am not sure how a dispute would be brought under that. That is essentially how it will operate.

Chair: Thank you very much. Over now to Mark Garnier back in the Committee room.

Q181 **Mark Garnier:** Within the agreement in principle there is a lot of stuff about tackling climate change, and we have already heard from Sir Mark Hendrick about this. I am interested in your views on the concept of outcomes-based trade deals. Obviously the starting point is that we get market access and we get all the usual tariffs and all the rest of it. In this particular one, the agreement in principle affirms commitments by each country to tackle climate change. Do you think, as a more philosophical point than anything else, that trade deals are the right place to put outcomes-based principles? It could be human rights principles; it could be women’s education. These are very, very worthy things, by the way, and as a country we should try to promote them around the world, but are trade deals the right way to do it?

Elizabeth Truss: There are important points that need to be included in trade deals, including on human rights and issues like climate change. This is the first agreement where there is specific reference to climate change that Australia has signed up to, which is very positive. We also have a women’s economic empowerment chapter and also a co-operation on a developing countries chapter.

My first preference on these issues, particularly the climate change issue, is that these should be held on a multilateral basis. With the issue of carbon leakage, we need to make sure this is incorporated into the global trading system. It is back to the question that Sir Mark Hendrick asked



earlier on how you incorporate climate change. The answer is that if we are exporting carbon production elsewhere, clearly that is not what we are seeking to do with our net-zero commitment. Ideally it should be embedded in the World Trade Organisation. It is a second-best option for it to be covered in bilateral and plurilateral trade arrangements, but that is the world we are living in now. What we are trying to do is to work with likeminded partners, including Australia, including the United States, to reform the global trading system to make it a genuinely level playing field.

I could have talked about issues like industrial subsidies as well. There are lots of other areas where the global trading system at the moment is not working and the WTO needs massive reform. I am very hopeful that Dr Ngozi is making progress on that, but in the meantime, if we can work together with likeminded partners on issues like animal welfare and issues like climate change in our individual trade agreements, then that is positive progress.

Q182 Mark Garnier: Here is a difficult question. Let's say, for example, that country stops—let's say we had, hypothetically, an agreement with China, and we clearly have problems in Xinjiang and the Uyghur people—is it the right place for the Department for International Trade, possibly through trade remedies, authorities or whoever, to then start imposing remedies to human rights violations through trade, which does not necessarily always achieve the right outcome?

I completely agree with the principle behind one country trying to bring about better behaviour around the world and all the rest of it and, as you say, plurilateral agreements, but it makes a philosophical question as to how, if you suddenly find yourself, as a Secretary of State for International Trade now being asked by Parliament and by people like Angus and myself, to come along and explain why are there human rights abuses going on in Xinjiang and what are you doing about it.

Your skill is forging trade deals and making great opportunity for the commercial interests of this country. Other people, like Dominic Raab for example, or the Prime Minister, can do the other stuff. Is it the right place for you specifically to be responsible for these negotiations? As I say, it is a philosophical question. I do not want to put you on too much of a spot. You do not have to answer.

Elizabeth Truss: The primary Secretary of State with responsibility for issues like international human rights is Dominic Raab. It is absolutely right that that is the role of the Foreign Secretary, but of course I work closely with him. He leads on these issues and we work together to consider the trade implications because there are always trade implications. My general view is that we have to be very careful when we are looking at areas like trade embargoes, because they can often hurt the poorest people in any given country, rather than punishing those who are violating human rights laws.



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In the case of Xinjiang, we have taken very strong action on the supply chain. We have worked very closely with the Foreign Office on that. I see that the Department for Trade is the lead commercial international Department and the Foreign Office leads on those broader issues. But our trade policy does have to reflect our values. It has to be a values-based policy. The important principle for me is that the trade that we are undertaking is not undermining our way of life or our beliefs in the UK, whether it is our beliefs in achieving net zero, whether it is our belief in high animal welfare standards, or whether it is our belief in having strong labour laws. We cannot have trade that is undermining the way we live in a democratic, free-enterprise society. That is the framework within which I am operating, but within that framework what do I want to do? I want to maximise opportunities for British industry and British people to succeed within that values-based framework.

Sometimes where globalisation has gone wrong is when it has been values-free globalisation and that framework has not taken into account, we have looked at just how can we maximise return in the short term. There has in the past been an undermining of values. I particularly think of areas like industrial subsidies. The steel industry is a classic example of that. I could go on for a very long time.

Mark Garnier: I am sure you could. Angus, I had better declare my interest as a trade envoy to Myanmar, where obviously there are sanctions against the individuals in the Tatmadaw, whereas we are encouraging trade with industries where people would not eat, were we not trading with them. So, yes, I declare an interest.

Chair: Fair enough, Mark, you have done that. Anthony Mangnall, you wanted to come in there.

Q183 **Anthony Mangnall:** Just on that point and building on what Mr Garnier said, how does this free trade agreement end up extending or improving our relationship and our drive towards net zero?

Elizabeth Truss: It has a very clear right to regulate on climate change in the agreement. It also has a commitment to working together on the environment, not just net zero, but on a number of other key environmental issues. As Mr Garnier has just said, the primary forum for achieving net-zero commitments is through the COP26 process. We are working very closely with Australia on that. It has made a net-zero commitment, so the trade deal is in support of those broader efforts, but focused on the commercial side.

Q184 **Anthony Mangnall:** I only have three questions and I do not need to take up a huge amount of time from the Committee on this, but do you see the terms you are agreeing, both in Japan in the Japanese Free Trade Agreement and the trade agreement with Australia, setting a template for what you push in terms of environmental standards?

If I may, I will do the other two questions now, which is you also started talking about the fact that the value of these free trade agreements are



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not forecasts; they are how you view them to be today. Certainly I think I have heard you describe them as a floor, not a ceiling, in terms of growth. Do you have any comparative figures of other trade agreements that have been seen to suggest what the value is at the time of signing, versus what they end up being later on? I suspect it is too early to say in CPTPP for the 11 other members, but NAFTA might be an example. I would be very interested if you had that data.

Lastly, is it free trade agreements first with the 11 members of CPTPP before you join and how is that going to impact the timeline of joining? Sorry, that is a wide range and that is for both of you.

Elizabeth Truss: The answer is yes; it is a template in terms of climate change and environmental co-operation in both the Australia deal and the Japan deal. You have quoted NAFTA and USMCA. A study done post hoc of that deal showed that the biggest benefit was from the digital and data chapter, which I will share with the Committee, but certainly post-hoc studies are already demonstrating that digital and data chapters have huge value, because essentially what the gravity analysis does is look at the past. The digital economy is growing rapidly and has grown even more rapidly during Covid, but I will happily share that data with the Committee.

On CPTPP, the process is that there is a negotiation of the core with the 11 CPTPP members in a working group that is chaired by Japan. At the same time, in parallel, the United Kingdom conducts market-access negotiations with the 11 partners in CPTPP. Of course, we have already essentially closed the core negotiations with Australia. With New Zealand, we will be looking to do the same thing. With our bilateral FTA we are in consultation now with Mexico and Canada so, again, we are looking to cover those off as part of a separate bilateral negotiation. The timeline is getting towards the end of the CPTPP negotiations in 2022, having also finished, in the case of Australia, New Zealand, Canada and Mexico, separate bilateral FTAs and in the case of other partners separate market access negotiations, which will run in parallel and all close at the same time.

I caveat this by saying that the UK is the first country to seek to accede to the CPTPP, and when plans hit reality sometimes there can be bumps in the road, but what we have found so far is huge enthusiasm from all the CPTPP partners for the UK to join, with great support from Japan in terms of facilitating that working group process, and we have a very clear schedule to get those negotiations done by the end of next year.

Q185 **Anthony Mangnall:** I will add there have been interesting reports today about Japan and its relationship with Taiwan. If Taiwan pushes forward on CPTPP, how will the Department for International Trade and you, Secretary of State, view Taiwan trying to join CPTPP?



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Elizabeth Truss: I am a great supporter of Taiwan, but I think it would be presumptuous of me to comment on the future membership of CPTPP before the UK has acceded. I am focused on making sure the UK gets in.

One of the benefits of CPTPP is that it was specifically designed to have new members join. As I have said, there are failings in the global trading system and this is why countries are looking to join organisations like CPTPP. They have very strong rules in modern parts of trade like digital and services, and huge benefits in terms of things like rules of origin and low tariffs. I suspect there will be more in the queue.

Q186 **Chair:** Secretary of State, on the enthusiasm within CPTPP, I do not fully understand—perhaps you could enlighten us—as to what the interaction is like with Malaysia, Chile, Peru and Brunei, who are apparently members of CPTPP but have not ratified the agreement. Can you enlighten us a little around that?

Elizabeth Truss: We are in touch with those members who have not yet ratified. I understand some are in the process of ratifying, but clearly if they have not ratified by the time the UK has joined then there will not be those separate market access negotiations.

Q187 **Chair:** What effect would that have on the GDP figure for the CPTPP if four of the 11 members are not in the agreement?

Elizabeth Truss: I am confident they will join; there is a question of when, Chair, and that is not within my gift, as I am sure you can imagine.

Q188 **Chair:** Fair enough. On the ISDS side in this agreement, there was talk from your team about UK and ISDS, but it was not there at the beginning because Australia resisted. Did Australia do better with their negotiations than the UK, or what was the trade-off for that not being there?

Elizabeth Truss: The reason for having investment protection clauses in these agreements is to give security to British businesses that they are not going to face unfair property appropriation and those types of activities from foreign Governments. I am confident that Australia is a country with a strong rule of law where our businesses will not face those types of threats.

Q189 **Chair:** Apart from with New Zealand, I think Australia does not have this market access anywhere else. One of the things that people feel about these trade deals is that they are signed, sealed and delivered by the time we get to look, to input and to scrutinise them. If all of UK farming was to come to you, Secretary of State, and say, "Do not sign this trade agreement. It is not a good deal for us. Please do not sign," would you listen to them and not sign?

Elizabeth Truss: I am always happy to listen to industry. In fact we have trade advisory groups throughout the negotiation process to precisely advise on what is helpful, which issues are of concern and how



we make progress in these agreements. There are many agreements where UK farming interests are strongly in favour of gaining extra access, for example the recent deal that we have signed with Norway and the EEA, which gave additional access for UK farm products, and there were complaints, of course, from Norwegian farmers.

Q190 **Chair:** But on the deals that they do not want you to sign, would you not sign if they came to you? They could say to you that in Australia they have authorised 144 hazardous pesticides, double the amount used in the UK, with no sunset clause in them, that have 15 years before they are reapproved in the UK? There are some things that are sprayed on Australian grapes that can have 200 times the methomyl of the UK equivalent—it is an endocrine disrupter. For a variety of reasons, if they come to you with health or chemical stuff, would you then not sign? At what stage would you listen to voices in the UK? They might be happy enough with the Norwegian agreement, but that is not in the discussion at the moment; what is in the discussion is the Australian agreement. Would you say, “Okay, fair enough, guys. We are listening to you. You are the citizens of our country therefore you count.”

Elizabeth Truss: First, we are not lowering our import standards, so foods need to be fit for human consumption and that is what we have the Food Standards Agency and of course Food Standards Scotland for. They are there precisely to make sure that any good imported to this country is fit for human consumption, healthy and safe. That does not change under this agreement.

On the point you made more broadly, I want us to move from defence to offence. We have huge opportunities for our farmers overseas. The growing markets are in countries like the United States, in the Asia-Pacific and in the Gulf. If we are to succeed as an independent trading nation, we do need to go out there and export more. We have been behind a tariff wall for 50 years. Understandably our businesses, our farmers, will have to reposition to take advantage of those opportunities. That is why there is a significant period of time for adjustment in the Australia trade deal to allow for that.

I am always willing to listen to arguments where there is an issue, as I said earlier about farmers being unfairly undercut or industries facing unfair competition due to unfair state subsidies, but not all of the arguments being made are fully based in the reality of what is happening. The reality of what is happening is that there is a growing market for products like beef and lamb in the Asia-Pacific, where the vast majority of Australian trade is destined. I think that is where the opportunities for UK farmers lie and we need to look outward to those opportunities.

Frankly, being part of the EU for 50 years, we have not had those opportunities, so it is understandable that we as a country need to get into the mindset of taking up those opportunities.



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I would point out, Chair, that before we joined the EU of course we did have free trade with Australia and New Zealand. This is not something that is new to the UK. This is something we had before.

Q191 **Chair:** You mentioned being part of the EU a number of times, but as you say—

Elizabeth Truss: I think you were alive then and I was not, Angus.

Chair: —the UK has left the EU and some businesses have lost some trade. There is the £2 billion of trade that has been lost with Ireland that was announced last week, the plummet of exports to Ireland, and Ireland not buying as it did from the UK. Ireland never had a trade surplus from the UK, there was a 47.3% fall in UK exports to Ireland, and only 2% in the other direction, so it is not a Covid thing, it is a Brexit thing. Does that keep you awake at night? This is replicated across our near neighbours from the European Union; the trade, as we know, is down. There are small gains elsewhere, but they are gains that are just wiped by Ireland alone. How worrying do you find that, Secretary of State?

Elizabeth Truss: There were initial issues with trade after 1 January and there were issues with Covid, but we have seen trade bouncing back and, of course, my colleague, Lord Frost, is doing a fantastic job of making sure that we smooth out any issues there are.

Q192 **Chair:** So we should see basically that £2 billion come back, and those who have lost sales to the Republic of Ireland hopefully should get all that back again and those of the European Union as well, you hope?

Elizabeth Truss: My role is about expanding the opportunities in the rest of the world, to make sure that our exporters and importers do not necessarily have all their eggs in one basket. You have talked about the comparative static analysis, but one of the huge advantages of trade deals is they give us options. They give exporters options so if there are problems in one particular market, they have opportunities in other markets. I want to create a resilient network of trade agreements that the UK can use for both import and export, which ultimately make us stronger as a country. All of these things are additional to each other. They are not alternatives, Chair.

Q193 **Chair:** Martin Vickers wants to come in, as he has not had a chance to come in so I will take him in a second. When you say that there is a new set of responsibilities for the rest of the world, who carries the can for what is being lost at the moment? Surely that is something that is really serious? The other thing you said is that people can ultimately trade elsewhere. Is that not what farmers are concerned about with this trade deal? Yes, they might not immediately use the market access that will allow the UK bigger potential market access when they come out of the whole EU, but if they are going to shop somewhere else, they can then divert their product into this market and damage producers in this market like that overnight. A sword of Damocles is hanging over farming in much of the UK as a result.



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Elizabeth Truss: I believe, and you might not agree with me, Chair, that British beef and lamb is the best in the world, that it is absolutely able to compete with allcomers and that people want to buy it. They want to buy it because they know where it has come from; they want to buy it because they know it is produced in a safe fashion with high animal welfare standards. That commands a huge premium around the world. I think our farmers have huge opportunities overseas. I have recently met a number of exporters in those areas. We talked about the Gulf and the United States—all the opportunities—and I think we have that opportunity to expand. Australia and New Zealand are both good examples of exporters who have high standards and are successful international players in those markets.

Chair: I would imagine therefore that the National Farmers Unions of all four nations will have a press release this afternoon agreeing with you, if that is the case.

Elizabeth Truss: I do hope so and I want to work with them. I am in fact working with the National Farmers Union to make sure there is that support, and that we have more agri-counsellors in our overseas embassies and that we are helping them get their products into those overseas markets.

We need to have confidence in what we do as a country. I do think there has been an element of talking down what is great about Britain.

Chair: If there is anything great about Britain, it is Martin Vickers.

Martin Vickers: I would have thought the sword of Damocles would have been hanging over the Scottish economy if you got your way, Angus. We will move on.

Chair: We look at Ireland.

Q194 **Martin Vickers:** It was just a comment from the discussions 15 minutes ago or so, when we were talking about outcomes, human rights and so on. I was intrigued by your comment that our trading relationship should convey our values, but the Chinese Government would equally say that they want to convey their values. Is there not a danger that we collide with each other and all suffer as a result, because the way to allow emerging economies to develop and as a result improve their working conditions and the like is by trade?

Elizabeth Truss: I could not agree with you more. I am delighted that we will soon be launching our new preferences scheme which will give better access for developing countries to the UK market, precisely so businesses and individuals in those countries can sell more goods into the United Kingdom and help development through trade. I completely agree with you.

The issue is that China currently self-designates as a developing country. I do not think that is right and it is a very different player now in the global trading system and China needs to follow the rules. It needs to



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follow the rules on industrial subsidies, on transparency, on forced technology transfer and on intellectual property, and that is what we are working with likeminded allies to achieve. That is very different from genuinely developing countries where we absolutely want to help and support them trade their way to prosperity.

Q195 **Chair:** A final point, just on that situation, Secretary of State, that genuine countries want to trade their way to prosperity. You will be well aware I am sure, as are some members of the Committee, of the Maldives, which is making a plea for tuna. They reckon they are the most environmentally friendly catchers in the world, catching it with barbless hooks in the most sustainable manner. We have heard from DIT that it does not have the capacity to deal with the Maldives in this one area, when it does with neighbouring countries. Where might your Department be with the Maldives?

Elizabeth Truss: We are working on this issue, to help with sustainable tuna, and I am very happy to discuss it directly with the Maldives. I know Minister Jayawardena has been speaking to them as well.

Chair: That will be good news for some here, and better news for tuna stocks around the world, hopefully.

Secretary of State, can we thank you very much for attending today? It is useful that we discuss through this trade agreement. It is very difficult as we all know to get input into such deals as they are ongoing. We have to deal with them usually when they are done. There are obviously concerned voices the length and breadth of the current United Kingdom. We have to reflect those as best we can. We would like to reflect them more and go into this in greater depth. It is difficult to do that. We do appreciate the three months at the end, but of course that will be at the end, when we have a fait accompli.

In the meantime we wish you a very good afternoon, Secretary of State, and also Vivien Life, in your work ongoing in negotiations with the Australians.