House of Commons

Welsh Affairs Committee

Oral evidence: The implications for Wales of the UK/AUS FTA, HC 481

Thursday 15 July 2021

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Watch the meeting

Members present: Stephen Crabb (Chair); Tonia Antoniazzi; Simon Baynes; Virginia Crosbie; Geraint Davies; Ruth Jones; Ben Lake; Robin Millar; Rob Roberts; Dr Jamie Wallis; Beth Winter.

Questions 1 - 35

Witnesses

I: Dr Nick Fenwick, Head of Policy, Farmers' Union of Wales; David Swales, Head of Strategic Insight, Agriculture and Horticulture Development Board; and John Davies, President, NFU Cymru.

II: Sam Lowe, Senior Research Fellow, Centre for European Reform; and Dmitry Grozoubinski, Executive Director, Geneva Trade Forum, and founder, ExplainTrade.

Examination of witnesses

Witnesses: Dr Nick Fenwick, David Swales and John Davies.

Chair: Good morning. Welcome to this session of the Welsh Affairs Committee. Today we are looking at the emerging UK-Australian free trade agreement. We have two panels of witnesses this morning to help us in our discussions. The first panel comprises Nick Fenwick, who is Head of Policy at the Farmers' Union of Wales, David Swales, the Head of Strategic Insight at the Agriculture and Horticulture Development Board, and John Davies, the President of NFU Cymru. Good morning all. The first question will be from my colleague Simon Baynes.

Q1 **Simon Baynes:** Thank you to the panel for sparing the time to be with us today. I will start by asking: have the UK Government sufficiently considered the interests of Welsh farmers in negotiating the UK-Australia free trade agreement, in your opinion? More particularly, how would you describe the levels of consultation and engagement the farming and wider agrifood sector had with the UK Government over the course of these negotiations with Australia? I will ask John Davies that question in the first instance.

John Davies: Thank you, Simon. We have had good engagement with Minister Greg Hands, and we have had some full and frank discussions. I think it is important to speak truth to power, so the engagement with Greg Hands has been reasonably good. However, I would have been disappointed to learn about the outcome of the negotiations by reading *The Sun* newspaper and seeing some of the details in the Australian press. I suggest that we need genuine partnership here and there is room for improvement there. The access that the Australian team have had to MPs across all parties has been excellent and the job they have done has been first class. Some of the work that they have seen—and I have noticed being repeated by some Members verbatim—has been very strong. I suggest that we have lessons to learn there going forward.

Dr Fenwick: Clearly the impacts are pretty devastating for us in certain trading conditions. I agree with John that we have had excellent access, but it tended to be 11th hour access. There is a big difference between access and influence, and I am afraid to say that the influence is through no fault of our own as farming organisations. I think the objective here is to get a free trade agreement at any cost rather than in the national interest. It is bad for Welsh farmers, but it is not good for the UK either, and the Government figures make that very clear.

David Swales: Thank you, Simon. I think the AHDB is a bit different to my colleagues. We are not a lobbying organisation, but we provide evidence to our levy payers and also to Government. Over the course of the trade negotiations, we have had quite a few opportunities to provide evidence into Government for them to take into consideration. Perhaps we might come on to talk about some of that in a bit more detail when we get on to the specific questions.

Simon Baynes: Thank you very much.

Q2 **Tonia Antoniazzi:** How would you describe your experience and impressions of the old Trade and Agriculture Commission and the agrifood trade advisory groups? What is your assessment of how seriously the Department for International Trade engaged and worked with the former commission?

John Davies: Thank you for those questions, Tonia. As part of the former Trade and Agriculture Commission I am bound by non-disclosure agreements. There were some well-skilled people on that with a massive amount of experience. We submitted the report in early March, I believe, with a list of core standards that would be safeguarded in future trade deals. At this advanced stage we are yet to see the Government's response. It is important that we have that and to see what approaches the Government will use in future trade agreements to uphold our core animal welfare and environmental standards.

A number of recommendations are in there, so it is urgent now that the new trade and agriculture commission gets set up, that it is able to properly scrutinise and then make recommendations, and also that we have proper scrutiny under the CRAG Act. Our scrutiny is not at the same level as other countries'—America, Australia, and many others. There is a great deal of work to do there, and time is pressing.

Dr Fenwick: I did not sit on the commission, but I do sit on the trade advisory group, or at least one of them, and I am similarly bound. I cannot speak about those meetings, but nevertheless, in general, I think that they were Q and A sessions rather than deep-dive consultations about concerns. Some of that is to do with the nature of those groups and the number of people sitting on them with huge varieties of interests in different types of industry. I don't think it was a consultative group, to be perfectly honest, or necessarily even an advisory group. I think it was a Q and A session about where things are, usually.

Tonia Antoniazzi: David, do you have anything to add?

David Swales: Not a great deal. AHDB is involved in some of those groups as well and I agree with the comments from my colleagues.

Q3 **Tonia Antoniazzi:** I can take from those comments that you are not feeling particularly confident, but I don't want to put words in your mouth. Do you feel confident that the new trade and agriculture commission will be able to work effectively to represent farming communities and influence the work of the Department for International Trade?

John Davies: We need to see it set up, Tonia. We need to see it in action, don't we? We are still waiting.

Dr Fenwick: I think that it depends on how much attention is given by the Government to any concerns raised by that commission and, also, how much attention is given by people like yourselves—elected Members of Parliament—to concerns raised by any groups, including that commission. If you have a Government that is hellbent on signing a trade agreement with a major agricultural trading nation, you need the scrutiny of Members of Parliament to ensure that excessive damage is not inflicted by a deal if the only objective is to sign one at all costs, given that the data shows that there is nothing in it for the UK except 0.015% over 15 years.

Q4 **Tonia Antoniazzi:** I have been doing a little homework. If you look at America, for example, it has an agricultural commission across 90 countries in the world and counsellors in every embassy in 90 countries to represent the farming communities and get their products out across the world. Are we on the same level playing field as those countries and what can be done to address that? What do you think, Nick? I will ask Nick and John; I don't know if David wants to come in.

Dr Fenwick: It is important not to conflate two issues; one is to do with opening the door to our own market and the other is having other doors opened for our produce in foreign markets and the importance of having representatives in those markets to try to push our produce and make the most of our export opportunities while simultaneously protecting the export markets we already have. That is a key issue here. We need to keep a foothold in the markets we have while also looking at new opportunities and pushing those opportunities. Unfortunately, the way things look at the moment is that for every one unit that we gain in a new foreign market, potentially we are going to have a multiple of that coming in. Basically, the overall impact is likely to be damaging when exchange rates and so on favour that kind of damage.

John Davies: We need to strengthen our team very considerably here. We have two operating at present on a shoestring and 80% of their costs are paid for by farmers via levy. It is very important that we strengthen this team. Australia has 22, but they have a fantastic link-up with their politicians as well. We saw how passionate and ambitious their politicians have been in this trade deal and others about selling their products. There is a great alignment between our counterparts to go and help sell their products and say what they do and how they do it. There are lessons to learn there. At present we are new to this game, and we are on an early step. The Lions are playing in South Africa at the moment. It is the equivalent of my local team in Brecon playing the Lions at the present time.

David Swales: You have identified quite a key issue on export development. When we look at trade deals it is important to recognise that there are some good opportunities out there for the UK and for Wales agriculture to export products around the world. I agree with some of what John was saying. The amount of investment into opening up those opportunities by Government in the UK probably does not match some of the countries we have been talking about until now. There is certainly farmer investment in that through the levy and AHDB plays a role to help that market access. More Government investment would be very welcome if we wanted to grow those investments.

It is also about access to Ministers and having the right people to have the conversations to speed along those trade deal talks. Personal contact is very important to open up market access. Having Ministers involved and actively playing in that space will help improve our access to markets around the world.

Q5 **Ruth Jones:** Thank you to the panel for your attendance this morning. I am going to cut to the heart of the matter. We are talking about the impact of tariff-free access, but I want to talk about the hard facts and figures. I am sure you have done some research here and it would be helpful to have your take on the potential impact of tariff-free access but cutting both ways. What is the impact of the Australian imports into our sector in Wales and what are the opportunities—let's be even-handed—about the access to the Australian market for the Welsh agrifood producers?

John Davies: Thank you, Ruth. There could be a cumulative impact here, so we have to be really careful. This sets the bar for future trade deals, so this will be something that other countries look to emulate—New Zealand, America, or many other countries. There is a cumulative impact here. If we think back to less than one year ago we had the position of serious carcass imbalance and we had a real dip in prices then. We have to be extremely careful here that we do not have imbalance in the marketplace from striploins, for instance, being imported and having a large cumulative impact. They are very big producers. They are the biggest producers of sheep and beef in the world. They have a very organised system, and they have some competitive advantages to us.

It will be competitive, but we have some fantastic farmers as well and we have a fantastic opportunity to grow grass-based protein that is really healthy. I think we are in a strong position here. Our environmental credentials are strong for opportunities for export to other places and we have some young people who are some of the best farmers in the world, and older ones of course. We have to be ambitious here, but we also have to put an equal team on the field.

Q6 **Ruth Jones:** Thank you, John. That was a great advert for Welsh farming. Nick, do you want to follow up with the actual impact—the assessments that you have done on the impact?

Dr Fenwick: Yes. I think it is important to absolutely recognise what John is talking about, our high environmental standards and so on. The last thing that we want is for those young people to be undermined by trade imbalances, or imports of cheaper products, in an environment where a large number of the general public buy purely on price and especially in the service sector. We have to be realistic about the fact that our standards are not always going to solve the problem, especially in recessions or other times when people have to buy on price. At the moment, there are lots of people who buy on price for very good reasons—they don't have much money in their pockets—but simultaneously by doing so, if it is a foreign product, it is going to undermine our markets.

We would be on a transition if this trade deal is given the final sign-off to increasing the quota for Australian beef to around 70% of what we import into the UK annually. That is a huge quota increase, an increase by scores, and for lamb we would be on a transition to increasing the quota to more than what we annually import in lamb on average. It completely changes the picture of what we allow in. Average lamb prices in the last 20 years have been about £1 a kilo deadweight lower in Australia than they have been here, and I think it is about 60p for beef, based on the figures that we have been able to obtain.

Clearly if those imports pull our prices down—which they inevitably would—you are talking about losing vast amounts of money on every animal in an industry where very often you are losing money on every animal anyway, sadly. It would simply add to that huge market pressure. Irrespective of the enthusiasm, the standards and everything else, at the end of the day we are talking about plain old-fashioned economics here.

Ruth Jones: Thank you, Nick. That is helpful.

David Swales: AHDB has published quite a lot of analysis on this, and a key part of our role is to provide independent evidence to help decision-makers.

Looking at the farm side of things to start, there is very strong evidence that Australia has very different farm systems than we have in this country. It has much larger farms and the costs of production tend to be quite a bit lower than the costs of production for farmers in Wales or elsewhere in the UK. There is a significant threat and challenge there. When you look at the data, the Australian farming system is set up to be an exporter. It is a global exporter with a very high proportion of its product being exported to the key markets around the world.

That said, at this moment we don't have very many imports of Australian products on to our market. That is partly because of the tariffs that are in place. Australia currently sends us only about 3,000 tonnes of beef, and that is at a 20% tariff, and we have about 11,000 tonnes of Australian sheep meat come on to the market each year. The volumes at the minute are relatively low, and the tariffs are part of the reason for that.

The other big reason is that Australia is positioned in the Asia-Pacific region, and it has access to lots of key and valuable markets on its doorstep. It is exporting livestock products to South Korea, China and also to the US and prices in those markets are pretty good. Part of the reason we don't have a greater volume of products on our market is that

Australia can supply profitably to these other markets, and it doesn't have lots of product free to send to us.

Your question was about what happens when we get to free trade and that is a really good question. I would be very interested to see the Government's impact assessment of that. AHDB is working with Harper Adams University to do a quantitative analysis of that, which we will be publishing later in the autumn. My assessment ahead of that formal analysis is that we would see some increase in those products. That probably would have an impact elsewhere on our trade. We might end up exporting a bit more to the EU and the EU might end up sending us a bit less product, but overall, my assessment at this stage is that we would not have a huge flood of extra products on our market, predominantly because Australia has access to profitable markets closer to home.

The concern might be that Australia has a very good trade deal with China. If relations between China and Australia were to significantly worsen, it would have quite a lot of extra product to find a home for. It is important that we analyse these things, and not only based on normal trade flows, but we also need to consider what happens if there is a bit of a shock to the trade system. We have seen those things happen numerous times in the past, so I think it is important that the Committee also considers those types of eventualities.

Ruth Jones: I think it is helpful to highlight the potential volatility of the market and the impact that could have on Welsh farmers.

Dr Fenwick: That volatility is very important to recognise. I remember being told in about 2006 or so that milk prices were going to go down to 14 or 15p per litre, and I think within a very short period they were at 28p a litre. That is the sort of market volatility that we are dealing with and of course we would be exposing ourselves. That volatility is what changes trade flow between countries.

Ruth Jones: Thank you very much. That is really helpful.

Chair: I very gently remind colleagues asking questions and our guests to be very concise in your remarks, because time is against us. Thank you very much.

Q7 **Rob Roberts:** I want to pick up on something that David mentioned, talking about other countries. Ministers have mentioned that this trade agreement with Australia may act as a gateway into—I won't say all of the initials because I am bound to get it wrong—the Trans-Pacific Partnership arena. I am interested in your thoughts on the accuracy of that statement and how relevant that is.

David Swales: Thank you, Rob. The answer to that is I don't know about whether it acts as a gateway. My comments are that the Government are striking these trade deals and they are thinking about the whole economy, and we are here talking about agriculture as a subset within that and that is our focus. The new trade deals that are being discussed at the moment— that is Australia, and we have New Zealand and the US in the pipeline—involve three really big agricultural exporters. There may be a few opportunities for Welsh agriculture to export, but not really big ones.

Some of the other countries in that wonderful acronym you tried to spell out, Rob, probably have more opportunities for our food exports. From an agricultural perspective, if I had the power to decide where those trade deals were struck, which obviously I don't, I would be hoping the Government focus may be on some of the key countries in the Asia-Pacific region where there is a massively growing middle class. We know that people are getting wealthier, there is population growth and a huge growing demand for food, and their own agricultural systems cannot meet that demand. For me, some consideration about future trade deals and what markets we might get preferential access to is important to help balance some of this up.

Q8 **Dr Wallis:** Could you speak broadly to how well placed you believe the agrifood sector in Wales is for liberalisation of trade with countries such as Australia and New Zealand?

David Swales: The question lends itself to increased competition. As we open up our markets we will have increased competition from around the world. Wales agriculture has some good advantages. We are in a temperate climate, fantastic weather, we have lots of rainfall, which is good for growing grass. Welsh agriculture enjoys some real benefits for what it can produce here close to home and that certainly helps.

Alongside the trade deals opening up, we have the issue of agricultural policy being changed. We know for Welsh farmers at the moment there is probably quite a high level of dependency on direct payments to support Welsh farming businesses. The next few years will be quite a big and important transition period and farmers will have a bit of a challenging time adapting to these new eventualities. There is a whole lot of things all changing at once. It is important for Government and other bodies to consider how to support farmers to deal with all of the change that is coming their way.

John Davies: We are well placed but that will need future policy to be properly designed. We have an opportunity. We have not designed policy here in Wales for Wales for 40 years and there is work to do on this. If we get sustainable farming right and it meshes with sustainable brand values, there is real opportunity to prove and validate our environmental and animal welfare credentials. But let's be very clear, we face a key strategic decision if we want to erode our food production capability below 50%. That is a decision that you, our elected politicians, must be involved in taking. We must get future policy right and there is significant work to do on that.

Dr Fenwick: I can only agree with the previous speakers. In many ways, domestic policies are supposed to make up for adverse impacts of external influences. From a Welsh perspective, we need a domestic policy that makes up for adverse impacts caused by trade deals that fall outside the powers of the Senedd. Sadly, at the moment, based on the White Paper produced before Christmas, I suggest that we are looking at something that would exacerbate the adverse impact of disadvantageous trade deals rather than negate those negative impacts.

Q9 **Ben Lake:** Thanks to all the panellists for their time this morning. I will be very brief. If I can direct a few questions to David Swales. You mentioned in answer to an earlier question that a major export market for Australia at present is South-East Asian markets and China in particular. I cannot pretend any expertise in this field at all, so please forgive me for this question. If that is the case, why do you think the UK-Australia agreement in principle was received with such acclaim and celebrations in Australia, particularly the farming sector?

David Swales: It gives them good access to our markets. It is an exporter and as an exporter it is good to have a variety of different markets you can export to and move products about at different times. Don't get me wrong, I expect there will be an increase in Australian food exports to the UK, but I don't think there will be a massive increase. We are not going to get flooded with product, for the reasons I explained earlier. Having access to as many markets as you possibly can is beneficial, and this is a strategy that we should have in the UK as well.

If things change, if politics happen and we lose access to a key market—we lost access to the Russian market a few years ago, which used to be quite a key market for exports—you have some other options and other countries where you can send product to.

Q10 **Ben Lake:** Thank you, Mr Swales. In that regard, the current diplomatic pressures and tensions between China and Australia may well have featured quite heavily in the Australian negotiators' attempts to make sure that they had greater access to the UK market. We don't have a crystal ball, of course. We don't know what will happen there but if, for example, tensions were to increase between China and Australia—we have seen some tit for tat recently, widely reported in the press—and they were to find their access to the Chinese market in any way restricted, how quickly could the Australian exporters pivot some of their produce to the UK market?

David Swales: That is a good question. We talked a bit about standards earlier and those sorts of issues. Australia is an exporter, so it is used to producing food to meet different market requirements and different standards of customers. How quickly it could do that would probably depend on the requirements we put in place for access to our market; the sorts of requirements it has to meet. If the prize is there, my assessment is it will make that pivot because it has done it in the past. It has access to a range of markets, and I don't suspect it will treat our market any differently to that. It will be the cold, hard economics, as one of the previous speakers referred to.

We have not seen a Government impact assessment on this yet. It will be interesting to see whether those impact assessments consider those sorts of things or whether they are just analysing the standard situation over the last few years.

Q11 **Ben Lake:** Finally, I appreciate that the AHDB will be publishing some modelling in a few weeks' time ahead of the unveiling of the entire trade agreement. I am curious if, as part of that work, it has come to your attention at all whether recent droughts in Australia have had any meaningful impact on the level of agricultural production, particularly in the beef and lamb sector. Is that something that you can share with us now or do we need to wait?

David Swales: You will have to wait for the full detail, I am afraid. It is still very much a work in progress, but it is a very good observation, Ben. Certainly, Australia's production does tend to peak and trough a little bit and there are quite severe impacts of drought in Australia. Yes, you do tend to see a bit of a cyclical flow of production there. That is very fair to say.

Ben Lake: Thank you. So, a very volatile situation.

John Davies: Could I just make the point as well, Chair, that this sets a precedent? This should not be looked at in isolation. We met recently with the New Zealanders. They are looking to secure a deal at least as good, and there are many others in the queue with exactly the same thing. The bar has been set here, Chair, and we must not forget that.

Dr Fenwick: We should also consider what has happened in the past. At the moment, imports of things that get a better price in other markets are naturally low within the quotas that they have. In the past, when it has favoured them, they have maxed out their quotas. In 2017, they maxed out their lamb import quota to the EU. If the price had not suited them, they would have sent it elsewhere. If it makes sense for them to use all of their massive quota in 15 years' time—which is a long way away, God knows what might change between now and then—they will use it. If that is a way of making money, they will use that. Of course, they will.

Chair: Thank you very much. As a reminder, we are very short on time now so brief, brisk questions and answers. It might be that not every member of the panel wishes to answer each question. Beth Winter, please.

Q12 **Beth Winter:** Thank you for giving your time this morning. My question relates to food production standards. There have been lots of concerns expressed about the different standards between Australia and Wales. How likely is it that exports to the UK will not meet our food production standards in your view? Given that you have expressed some concerns on this, Mr Davies, I would like to ask you that first, please.

John Davies: Very quickly, in terms of safety standards, the FSA and others, I am reasonably happy that we will be safe. In terms of systems of production, it is very different: 62% of their cattle are on feed lots of over 10,000 that are on a finishing diet. It is a very different system to get 10,000 cattle together. That is quite a sight to see. I don't think any farms in Wales have that. When we look at the number of antibiotics that are allowed there, it is significantly more. When we look at the number of plant protection products, it is significantly more. In terms of the systems of production, it is totally different. Don't confuse this free trade agreement with a single market. We will operate it in completely different ways to what it is in the single market, so we need to be very careful there.

Dr Fenwick: I have nothing to add. John has emphasised exactly what I would have said. There is a big difference between what people describe as standards. They may be equivalent in terms of food safety but in terms of standards they are absolutely nothing like equivalent.

Q13 **Beth Winter:** Apparently, there is going to be a chapter on animal welfare resistance. Does that allay the concerns of farmers?

John Davies: I think it is about the environment, animal welfare and a range of things. Look at the deforestation figures that we have in Australia: very significant levels of deforestation. I think that is important myself with the challenge we face with climate change.

Q14 **Beth Winter:** Mr Swales, you seem to be a bit more positive on this aspect from some of your comments.

David Swales: I agree with the comments my colleagues have made. If I focus specifically on welfare, there will be some significant differences in husbandry processes across Australia and the UK. This is probably because of the very extensive nature of production in Australia. An example would be that in Australia farmers are allowed to do a process called mulesing, which involves removing flesh from the rear end of a sheep to prevent fly strike. That would not be allowed in the UK.

There are some differences where we would perhaps take a different view on welfare to the view that Australia has taken. Farmers are very interested in stuff like this because it certainly annoys them when farmers elsewhere in the world are allowed to import on to our market and do things that they are not allowed to do.

Chair: Thank you very much, Beth. Apologies, we are moving very quickly. Virginia Crosbie, please.

Q15 **Virginia Crosbie:** Bore da from a very green and lush Anglesey and thank you, gentlemen, for appearing on the panel. It is fantastic to see you all.

I had a couple of meetings recently with the DIT, with Minister Greg Hands and Minister Graham Stuart, who presented to the farming community here, the NFU, FUW and lots of businesses. The meetings were in English and Welsh. He detailed about additional export markets. Taking note of your comment, John, about our fantastic farmers and opportunities but having to be ambitious, my question to you gentlemen is that it would be helpful to hear your thoughts on these key new markets on Welsh beef and lamb in the near term. That is to John first, thank you.

John Davies: I think we have to put an equivalent team up, Virginia. I come back to the 22 that are paid for by the Australian Government in their entirety and the partnership that exists there. There are a range of markets out there. Somebody spoke about CPTPP earlier. We already have access to eight of the countries in that. I would like to focus on where there is real opportunity, and Asia-Pacific is strong. There are opportunities. Let's seek them out but be under no illusion we have to put a strong team on the field to do that.

Virginia Crosbie: Thank you. The same question to David. You spoke about South Korea, China, and other places.

David Swales: Yes, absolutely. It is important that we also acknowledge that the EU is by far our biggest export market currently. Exporters into that market have had quite a lot of challenges to overcome with the increased trade friction and customs checks and bureaucracy. I think an element of that is always going to be there, but it is something that maybe the Government can help with, and engage with the industry on, to hopefully lessen the degree of issues and reduce that friction to a minimum. That is certainly a key issue.

Yes, I think that you are right, Virginia. In terms of the big opportunities for growth in the future, for me it is Asia-Pacific and the Middle East. At AHDB we recently published what we call a Horizon report looking at the sheep sector and some of the opportunities and challenges there. I am happy to share a copy of that with the Committee. We look at where those markets are and what some of the requirements are in those markets. Certainly, Asia-Pacific is the big one and it is probably a market where we do not have particularly good market access as a country. We do not have many preferential trade deals with that part of the world.

Virginia Crosbie: Thank you. Nick, do you have anything to add?

Dr Fenwick: Notwithstanding what has already been said, which I completely agree with, we should not run away with the idea that we did not previously have lots of access to scores and scores of different countries outside the EU with which the EU had trade agreements. We have made efforts to try to expand our markets in those countries and it has sometimes been very difficult. As such, our main market remains the EU. We should keep trying, of course, but we should also be very realistic about how difficult some of these markets can be to expand access into.

Q16 **Robin Millar:** Something that is of concern to me, and I know to others is the social and cultural impact of these deals. I know that it is a secondary issue, but it is a voice that is important, even though it sometimes is not heard alongside the talk about numbers, business, and statistics. This is perhaps a question for John. I know that you have also raised concerns about social and cultural impacts of this FTA, including on the Welsh language and culture. That is something that I have spoken about with farmers here in Aberconwy up in the north. Can you elaborate briefly on that, please?

John Davies: Yes. Thank you for your concern in that respect, Robin. Obviously, language, culture, community, and our next generation is something that is incredibly important to me personally and, of course, the NFU. I think it is shared with FUW as well. We absolutely have to get this right. I really do believe passionately in my heart that farming forms the backbone of rural communities. We need to maintain that opportunity for our children in the same way our forefathers have. We need to be careful here, Robin. Thank you for those concerns around that; it is really important that we get that right for those reasons. Diolch yn fawr.

Robin Millar: It is something that the Committee does share, and I am hopeful that we can have a closer look at that, because that voice really has to be heard within these debates. It must not be lost, as I say, in a balance sheet of numbers and deals. Chair, I will leave it at that because time is short. Thank you.

Q17 **Chair:** Thank you very much. We are coming to the very end of this first panel. Can I finish by asking a brief question to perhaps John and Nick? I want to play a bit of a devil's advocate here. Nick in particular, you have been very strong this morning and have used words like "devastating" to talk about the potential impact of this deal on Welsh farmers.

You are aware that the Australian High Commissioner has pushed back very strongly on remarks from the farming unions. He has written in very strong terms to Members of Parliament pointing out that he thinks that some of these claims from the farming unions are absurd and that there is no chance of UK markets being flooded. Is there a danger that the farming unions are appearing to be overegging this and crying wolf? How would you respond to the Australian High Commissioner's pushback on you? Perhaps Nick first, please, very briefly.

Dr Fenwick: The important point—I tried to make this earlier on—is about potential impact. It is not guaranteed. If prices that are high for beef, for example, carry on for the next 15 years in Australia, I don't think we have anything to worry about. I think that David has made that point quite clearly. But market conditions can change very rapidly, and this is the issue. If you have opened a door that cannot then be shut, or at least shut easily, that is the concern here. If the safeguards are rudimentary rather than robust, when market conditions change, exchange rates change and so on, you have a devastating impact that you cannot prevent. If the optimistic predictions about it not impacting—

Q18 **Chair:** You do not think it is a guaranteed automatic impact. You think it is a possible potential impact on Welsh farmers?

Dr Fenwick: If you were to somehow reverse time and prices—which have been very unusual since January last year for beef, for example—and you were to run the clock backwards and have beef prices return to more normal differentials between the UK and Australia, you would start to see more and more imports of beef because it would make sense for them to do that.

As an industry, we cannot just have this vapid optimism about things not going the wrong way for us, especially when somebody has jammed the door open, and we do not have the safeguards to shut that door. A future Government do not have that option to close the door either, because this is an international treaty.

Q19 **Chair:** Thank you, Nick. John, very quickly, how would you respond to the Australian High Commissioner's criticisms of the NFU?

John Davies: I think that there is a missed opportunity here possibly. We have a very clear vision about being the most nature-friendly food producers in the world. We have a massive challenge across the world in terms of climate change, nature and biodiversity. To do that, future trade agreements need to have checks and balances, with safeguards in place.

Look, you people will be scrutinising these deals later on in the year. You have stood on the platform of making sure that we will not be undercut and that we are true to that vision and that ambition, so I am going to put this responsibility back on you here, guys, to make sure that when you do come to scrutinise these trade deals that we do hold true to those. If we offshore our responsibilities in those key areas, we have failed. I am up for this challenge. All our members are up for this challenge. The next generation is up for this challenge. Don't let us down.

Chair: Thank you very much, John Davies from the NFU, Dr Nick Fenwick from the Farmers' Union of Wales, and David Swales from the Agriculture and Horticulture Development Board. We are very grateful for the time that you have spent with us this morning. We are going to move seamlessly over now to our second panel.

Examination of witnesses

Witnesses: Sam Lowe and Dmitry Grozoubinski.

Chair: We are joined by Sam Lowe from the Centre for European Reform, who has been a guest in front of this Committee on a previous occasion helping us in thinking about Brexit and trade. We are also joined this morning by Dmitry Grozoubinski. Forgive me, Dmitry, if I have pronounced your surname incorrectly. Thank you very much for joining us to give us the benefit of your expertise. Given that time is tight and there is a lot to get through, could I go straight to our first question from Virginia Crosbie?

Q20 **Virginia Crosbie:** Good morning, gentlemen, and welcome from the Committee. Bearing in mind the Government's willingness to negotiate an

FTA with Australia, what in your view does this tell us about the UK Government's willingness to have tariff-free access to other FTAs?

Sam Lowe: Thank you very much for the invitation to come back to the Committee.

I think that we have to be careful with the precedent question. It is a solid indication that the UK is willing to give substantial market access to potential third country FTA partners, and we should not play that down. For example, in the earlier panel it was mentioned that the UK would probably have to offer the same to New Zealand and I would agree with that assessment.

The reason why I would urge a slight bit of caution is that these agreements are slightly unusual in that both parties are aiming for near enough duty and quota-free access to each other's markets. This is, of course, something that is easy for the Australians and New Zealanders to offer because they do not have that many tariffs anyway, but other countries around the world—for example, Brazil, India, and the US—are unlikely to want to remove all of their own tariffs, which potentially means that the UK would be negotiating in a slightly different space and in that scenario is unlikely to want to do the same.

However, the UK will as of now face a lot of pressure from all countries around the world to liberalise agriculture because it has set a clear precedent. It has not just been with Australia, and it won't just be with New Zealand. We should remember that we just did a duty and quota-free agreement with one of the other biggest agriculture exporters on earth, the EU.

Dmitry Grozoubinski: I am happy to jump in there as well if you don't mind.

Ultimately, I think that the precedent argument does have limits. No one can make the UK sign up to something it does not want to do. It will still ultimately be in the UK Government's gift to sign up to a deal or not. Certainly, these deals make it much harder for UK negotiators to turn around to a counterparty—including those like the US and Brazil—and say, "Eliminating tariffs on agriculture is something we cannot do. It is something our politics will not allow us to do." Because, as Sam said, we now have two data points, potentially soon three data points, that say, "Yes, you can".

Simultaneously, it makes it harder for the negotiators of the US, Brazil, and others to explain to their masters why they are recommending that the US or Brazil sign a deal that has less than a lot of market access into the UK, given that the UK can clearly do it and clearly has done it for some really big exporters.

Q21 **Virginia Crosbie:** Thank you. Sam, what do you believe this tells us about the effectiveness of the UK Government's negotiating strategy?

Sam Lowe: It depends on what you are assessing it against. If the negotiating strategy is to conclude an agreement with Australia, at least in principle prior to the G7 so that you are able to announce it on the world stage, it was very successful because that is what was achieved. In so far as it comes to achieving specific objectives around these trade agreements, I am slightly unsure as to what the UK wants from lots of these on an individual basis.

I understand the strategy in a grander sense because the UK very much wants to join CPTPP. To do that, the pathway towards that is Australia, New Zealand, renegotiating Canada, renegotiating Mexico, and then you are in a really good place to accede to CPTPP, which would be a big global political statement. That part of the strategy I understand, but in terms of market access it just feels to me as if the priority here was expediency over substance.

Dmitry Grozoubinski: I don't have a lot to add to that. The UK has been unclear about what it wants out of these individual deals and what, indeed, its position is regarding things like free trade. If the UK has made a decision that its ultimate goal is just to eliminate tariffs everywhere it can and the UK's tariffs exist solely as bargaining chips, that is a huge change of policy and a revolutionary one for a lot of countries. It is not at all clear that that is the vision, which makes it tempting to go back to Sam's initial point, which was that it does feel a little bit like the goal here was to have an agreement in principle during Prime Minister Morrison's visit at the G7, which is an objective but not necessarily a very forward-thinking way to do trade policy.

Q22 **Virginia Crosbie:** Thank you. This is my last question. Sam, if we look at this from the other way, what does this tell us about Australia and the Australian farming strategy in terms of the deal?

Sam Lowe: The Australian trade negotiating strategy—and I am going to be brief on this because you should ask Dmitry as he has negotiated for them—is quite well known: market access, market access, market access; let's knock down tariffs all over the world and make it easier for our farmers to sell there. It is not necessarily to sell there immediately; it is to allow for the option of selling there in future.

There is a bit of theory around this, and some people point towards the UK's accession to the EU and some of the pain that Australia felt there from being too dependent on one market. Going on forward from that, they like to have their options open in case someone else closes them down in future. The Australian trade negotiating strategy is very well known. It is a well-oiled machine that Dmitry has been part of.

Virginia Crosbie: Dmitry, I am sure you can add to that.

Dmitry Grozoubinski: I don't know how oiled I was, but certainly our objectives are exactly what Sam says. There is a limited amount you can do for Australian farmers through trade agreements and the headline is "eliminate these tariffs". If I have a cow to sell, I would rather have three potential buyers than two. Not only does that increase the chances of a higher price but it makes me resistant to market fluctuations. It gives me options. It makes me more competitive.

Certainly, the headline, the top thing we are pushing for in every trade agreement—and I use "we" in the past tense for myself, because I am no longer a member of the Australian Government—is market access, eliminating these tariffs. Tariffs in agriculture tend to be higher than everywhere else. That is where the gains are and that is what we aim for.

Chair: Thank you very much. Dmitry, forgive me, in my very hasty introductions I should have mentioned that you are the executive director of the Geneva Trade Forum and founder of ExplainTrade and, perhaps even more pertinently, you worked within the Australian Government so are extremely well versed in these issues, and you are very welcome. Geraint Davies is next, please.

Q23 **Geraint Davies:** Can I ask Dmitry first of all how important it will be for the FTA with Australia to be a step towards securing the UK's accession to the CPTPP?

Dmitry Grozoubinski: It is an important step, in that you are going to have to negotiate with Australia on market access in all of these things one way or the other. You would have had to do it as part of the CPTPP accession or you would have to do it here.

Doing it here through a free trade agreement not only builds those links but it also means that you can offer Australia more access without necessarily then offering it automatically to all CPTPP parties, which is what would have happened if you had done this negotiation from a standing start in CPTPP. If the first time you negotiated with Australia on market access had been as part of the CPTPP accession, anything you gave Australia you automatically have to give to the other CPTPP 10. That would have been harder for the UK, so I certainly think this creates an on-ramp and it is important to do. Would it have been theoretically possible without doing it first? Yes, but this is certainly an important launch pad.

Q24 **Geraint Davies:** Moving on, how economically significant would the CPTPP accession be for the UK and what are the risks? People do talk about, for instance, investor-state dispute mechanisms and so on. What are the benefits and the risks and the economic significance to us of the CPTPP?

Dmitry Grozoubinski: Forgive me, was that to me or Sam?

Geraint Davies: That is for you again. I will come to Sam in a moment.

Dmitry Grozoubinski: The CPTPP will not be hugely economically significant because most free trade agreements are not. Free trade agreements are ultimately about a reduction of some taxes and a reduction of some bureaucracy around trade and most UK citizens are not engaged in trade on a daily basis. It is not going to be transformational to the economy, but it will help some exporters in some cases and that is not a bad thing. It is also an important geopolitical positioning around emerging power blocs between China, the west, and how trade is evolving. It is not going to be transformational to the UK economy, but it is a nice to have and it is part of a grander strategy, which is also important.

In terms of risks, I don't think they are particularly large. Most of the UK's likemindeds within CPTPP have exchanged side letters, for example, on ISDS basically saying, "Yes, ISDS is technically in here, but we promise not to use it against one another, we promise to basically exempt one another from ISDS". I would imagine the UK will work to get similar side letters.

There is a slightly bigger question around whether the CPTPP accession will be an opportunity for countries like Canada and Australia to challenge some of the UK's sanitary and phytosanitary measures, which are currently dubiously WTO compliant and would also be very dubiously compliant with the CPTPP around things like beef hormones. That is a risk that the UK will have to manage, but ultimately it will do that with eyes wide open and it will not be a surprise. The UK will either accept the change to its hormone system or it won't. It is not going to be something that pops up.

Q25 **Geraint Davies:** As you just said, there is a risk in entering the Trans-Pacific Partnership—which, after all, is a very small amount of overall trade at the moment in relation to, for instance, what we had from the EU—that we open the door to challenge, be it on hormones in the first instance, and that that would then allow access for hormone-impregnated beef, for example, in a subsequent US deal.

Dmitry Grozoubinski: I know that Sam has done a lot of thinking and he is a true son of Wales, so I do not want to step on his toes here. I would say that probably the greater risk is that, in negotiating to join the CPTPP, the UK will be asked to demonstrate how its existing system meets the rules and, therefore, may face pressure to change how it does something like hormone beef. The chance of a subsequent challenge with, say, the US joining is, I would say, lower because of the way that chapter is structured. Again, Sam has done a lot more thinking about this.

Q26 **Geraint Davies:** All right, thank you so much. Turning then to Sam on this, first is the question of whether the Australian deal is the key to the door of the Trans-Pacific Partnership. Assuming it is, what are the opportunities and, indeed, the threats from the Trans-Pacific Partnership?

Sam Lowe: Striking a bilateral agreement now with Australia has probably made it easier for the UK to accede to CPTPP in future. One of the reasons for that—it is something that Dmitry highlighted—is that in a sense the UK has ripped off the plaster on tariffs. It has agreed to duty and quota-free access now with the Australians and, at least according to the agreement in principle, it has also received a commitment from the Australians not to push for greater market access or more hasty market access in the context of the CPTPP negotiations. That is something the UK will attempt to do with New Zealand as well. In a sense, the Australians have got what they want from the UK so will now probably be much more supportive of general CPTPP accession by the UK and more accommodating of that; they have, indeed, committed to do so.

In terms of the benefits of CPTPP membership, the economics are negligible. It does not really matter from an economic perspective. If we are being brutally honest, the reason for that is that the UK already has a bilateral agreement with Japan, which is the only really significant economy that is still a member of the agreement and carries the economic heft of it. Japan still remaining a member is the reason Canada decided to eventually go along with it in the form of the CPTPP. It did not have a bilateral with Japan, but the UK does.

The benefits from an economic perspective are marginal, potentially some simplified paperwork, and there are certain supply chains that could benefit from the rules of origin provisions. For example, if you import parts from Vietnam, put them into a car in the UK and sell them on to Mexico, it might make it easier to qualify for tariff-free trade throughout the process. We are talking very marginal benefits.

Dmitry has highlighted some of the areas that will require negotiation, investor-state dispute settlement certainly being one. The reason that that is a bit of an uncertainty is that we do not know what the British Government's approach to investor-state dispute settlement is in general. It has so far kicked the can in its bilaterals. In Japan and Canada—one technically a rollover agreement, and one very much a rollover agreement—it has sort of said, "We will come back to this later".

In the Australia agreement in principle, it says it will not be there, but the UK already has investor-state dispute settlement in a multitude of bilateral investment treaties and is also one of the countries that benefits from it, in so far as we host the legal industry that does quite well out of it.

The bigger question there, or the first order question, is what the UK's approach to investor-state dispute settlement is. Once we know the answer to that, we can then start discussing how this would interact with the CPTPP text and what the possibility of side letters and carve-outs could be.

On sanitary and phytosanitary issues, on paper there is a slight contradiction between the UK's existing regime and the CPTPP provisions, so the question is whether the existing membership want to push on this issue or if they are willing to—because the CPTPP is still slightly ambiguous—sign side letters saying, "We think the UK's regime is compatible with CPTPP membership and we do not see a problem here".

We should put some context here. The Australians were not that fussed about hormones when it came to the UK-Australia bilateral. They just wanted market access, so reductions of tariffs. New Zealanders will not be that fussed either. In the absence of the US, there is a question as to whether the existing CPTPP membership will mind that much about some of the existing UK restrictions, or at least will make it a condition of accession. There are some other question marks around patents, for example: the UK's continued membership of the European patent organisation and its compatibility with CPTPP due to issues such as grace periods.

These are all, to my mind, negotiable—that is something that I should be able to pronounce, given my line of work—but certainly things to explore further. To conclude, the first order question for many of these issues is what the UK's position is, because it is slightly unclear.

Chair: Very quickly, Geraint, because we do not have a lot of time.

Q27 **Geraint Davies:** Finally, one of the previous witnesses said that these sorts of deals jam the door open and there is no option of closing it once it is open because you are bound by the treaty. Is there a risk that if we are subject to investor-state dispute settlement and, in theory, someone like China joined the CPTPP—it has applied, but it seems unlikely at the moment it will join—we could be held to ransom or very vulnerable to being sued through these mechanisms by investors in Britain?

Sam Lowe: I think that if China were to agree to investor-state dispute settlement that would be something that the UK industry would be much more in favour of than industry in the Chinese state, given their approach to expropriation both direct and indirect. I would presume in that instance it would be an aggressive interest of the UK's to try to have that included.

Of course, we can speak in hypotheticals and, indeed, if you did so that is fine, but I think it is very unlikely that China will join. If China were joining as a member, there would be an accession process around that and there would be the possibility for the UK to agree to exempt ISDS from interactions with each other at that moment in time, if the UK wanted to. Although, as I have mentioned, I would suspect that the UK might be slightly more interested in its inclusion in that instance.

Q28 **Robin Millar:** This is a question to Sam first. Clearly, this is Wales. We are the UK Government, but we are talking about Wales, which has a devolved Administration. Can you make a couple of comments on the importance of having a UK negotiation internationally in trade agreements and the considerations of Wales and a devolved Administration and its desires to have a voice in those negotiations and scrutiny, please?

Sam Lowe: The conflict here is that trade is very much an Executive competence, but the implementation of these agreements is not in all instances. For that reason alone, it is important to have the voices of the devolved nations and the nations of the UK fully represented.

There are trade-offs. It is one of those issues where, if we are being honest, the UK Parliament does not have the greatest say over UK trade policy. When you start to take that downwards and you say, "What about the devolved nations and their own representatives within that context?" you are getting towards slim pickings. I am not advocating for that, but I am explaining it as I see it.

Robin Millar: Dmitry, do you have a comment?

Dmitry Grozoubinski: Yes, absolutely. I have been fortunate enough to provide some training to the Welsh civil service and the Welsh parliamentary research service. There certainly is strong interest from them to be involved, just as there honestly is from DIT and UK federal civil servants to hear from devolved Administrations. That is a comment that they always come out with.

What would be useful and functional is if there was a pipeline of information where specific local concerns, which can often be outsized and not clearly visible in national-level statistics, were being fed into the process at appropriate moments in a spirit of open enquiry and exchange, and were shaping the UK's negotiating positions, and if issues that, for example, Wales would have to implement—as Sam says, a lot of the implementation falls to the DAs—during the negotiations were being run past the devolved Administrations for sense checks and for issues that the negotiators in London cannot see. You have a very narrow view when you are sitting in the capital. If all of that was working well, that would be fantastic. I am not in the UK so I don't know if it is, but I have certainly heard some things that say it could be working better.

As Sam says, by the time you get to signature, the UK Parliament cannot stop a free trade agreement, let alone a devolved Administration. By that point, the ship has very much sailed. It has to be an organic engagement process and a genuine one throughout the whole thing. That is going to take a long time and a lot of spirit of collaboration to build.

Sam Lowe: Could I just add that this is not an unusual issue for countries to face? Even if we think about Australia itself, there are constraints on what it can offer in its trade agreements because it has a federal system. There are certain things that are federal competence that have to be worked out. If we look at other countries as well. You have Canada where there are problems, and you have the US in particular where, say, on procurement, for example, you just cannot get in through the door when it comes to state-level procurement. Having to navigate these issues is something that is obviously important but, of course, we should acknowledge that the UK is not a federation, so there are some slight differences there in just how all of this is structured.

Dmitry Grozoubinski: On the Australia and US point, I would add that the key difference there is that in Australia or the US there are things the federal Government cannot touch, and which are fully constitutionally devolved. From what I understand, in the UK context, it is a kind of devolution asterisk, in the sense that if the federal Parliament genuinely wants to do something it can. I think that shapes the respective dynamics.

Q29 **Robin Millar:** Let me press you both briefly on that, then. What practical influence and impact do you think the new Trade and Agriculture Commission can have if it will only be able to review the final text of the deal? What is the practical impact and influence if it is coming in so late?

Sam Lowe: It is a very good question. I don't know the answer. As far as I am aware, it is still recruiting for quite a lot of the expert posts. It had to extend the deadline. There was some quite rigorous criteria that excluded pretty much anyone with a social media account, so it has had to narrow it down quite a lot.

If I am being honest, I do not think it will have much of an impact. It is quite late in the day and decisions have already been made. At the most, I hope that it would lead to an accurate assessment as to what that agreement would mean in practice, and it will give MPs a decision to make within the context of the constraints they face when it comes to interacting with free trade agreements in general.

Dmitry Grozoubinski: If the TAC comes in once the agreement is done, what it is doing is offering transparency and helping the public and MPs to understand the deal. Certainly, there is some precedent in recent UK history to suggest that, if things pan out a certain way, even a Government with a majority can lose votes it whips to win or face challenges on votes it whips to win. If the TAC is able to identify something that captures the public's imagination or that moves the debate, potentially it could have a lot of influence, but that is an incredibly high bar to clear, especially in a situation where a Government have such a large majority and a fairly efficient whipping operation.

Robin Millar: That is a very good point. My only observation as an MP would be that the members of the public who write to me seem far less concerned about who does what rather than that it gets done. The same people who have voted to send a representative to the Senedd in Cardiff have also sent me to the UK Government, and they tell us freely about all sorts of things that overlap both jurisdictions. I think there is good communication there. Thank you, gentlemen. That is really helpful. Your comments in particular about the TAC are noted.

Chair: Tonia Antoniazzi is next. As a quick reminder, if we could be nice and brisk, and concise with questions and answers, that would be helpful.

Q30 **Tonia Antoniazzi:** I will do my best, Chair. Are Welsh farmers right to be concerned about Australian imports undercutting domestic products on the basis of cheaper production standards? Are Australian agricultural imports more likely to squeeze domestic producers or replace EU imports? Dmitry, do you want to go first?

Dmitry Grozoubinski: Yes. I think that Welsh farmers are right to be concerned in the long term that that will be a greater possibility the day after signature than it was the day before. The Government will have given away their ability to use tariffs to protect them against that possibility.

The numbers now are not threatening. What will they look like in 15 years? Just as a very simple example, Australian exports of beef to the US have gone up 627% in the last 20 years. If you looked at the numbers 20 years ago, Australia was a nonentity in the US market; it is now hovering somewhere around third by value and very high on tonnage with Canada and Mexico, which obviously have some proximity advantages. The numbers now are not threatening. There is no guarantee that they will ever become threatening, but the UK Government will have given away the ability to screen them and you never know what is coming 10 or 15 years from now.

Sam Lowe: It is difficult. My view is that taking into account current conditions—as the previous panel alluded to, the world is not constant; it does change—there is very little substantive threat to Welsh farmers as of now. Of course, circumstances in the future could change and we could see a big uptick in Australian exports of agrifood products to the UK. We should note that because they are so low right now, even a 600% increase is not necessarily that much in quantity terms.

There is then the question of displacement. The UK already imports a lot of food, it just happens to be from the EU. Are we displacing domestic production or are we displacing imports from the EU? I imagine it will be a bit of both, but it would not surprise me if quite a lot of that displacement was from the EU in so far as the Australians still have barriers to selling into the UK. Tariffs might be reduced, but you still have bureaucratic costs. You still have to, for example, have your premises licensed. You are still dealing with SPS controls. There might be a reduced rate of physical inspection, but you still have slightly higher hurdles than a domestic production.

Of course, in the domestic context you have other considerations, such as the fact that some people like buying British and some supermarkets pride themselves on buying British. I am not saying that there is zero impact; I am just saying that taking into account all we know, I don’t expect it to be very large.

I suppose the bigger question is the one that was posed earlier, which is whether this does set a precedent for the UK’s trade policy in general. I gave quite a caveated answer there, but if it were to set a precedent for the UK’s trade policy in general and give an indication as to how much the British Government values agriculture in general—and I think in the context of this discussion we also have to take into account UK exporters of food have just lost market access into the EU because of the new checks and controls. They are also having to go through a complete change of their subsidy regime, so they are under a lot of pressure right now. In that broader context, you can start to paint a bigger picture of concern, but if we are just talking specifically about Australia I am less concerned on that individual basis.

Q31 **Chair:** Can I just jump in here quickly before I bring in Beth? We heard evidence from the farming unions earlier this morning. Nick Fenwick of the Farmers' Union of Wales used the word "devastating" in describing the potential impact of this deal on Welsh farmers. Sam and Dmitry, you will be aware that the Australian High Commissioner himself has written to MPs pushing back very strongly on claims being made by the farming unions. Quite remarkably, he has described them as absurd and has gone to great lengths to try to assure Members of Parliament that there is no chance of the UK being flooded with Australian meat products.

Sam and Dmitry, can you help us as a Committee know where—between the position of the farming unions and this very robust pushback from the Australian High Commissioner—the balance of truth is here? Help us understand this a bit better. Perhaps Dmitry can go first because of his former connections into the Australian Government.

Dmitry Grozoubinski: Yes, sure. To an extent, this is just a language games issue. The NFU is talking about potential impact and when you eliminate tariffs or you raise quotas to hundreds of thousands of pounds, then, if that quota were to be filled or if there were a 10,000% increase in Australian lamb to the UK, I think that would be devastating for Welsh farming. This deal means that that is now a theoretical possibility in the sense that the UK Government can no longer use tariffs to prevent it.

On the other hand, the Australian High Commissioner is talking about what is likely to happen, especially in the near term. This deal gets signed; is there immediately or in the short term likely to be a giant flood of Australian beef or lamb into the United Kingdom that there wasn't before? I think that he is probably right to say that unless something massively changes in the market in the next few years, it is unlikely to happen.

In a way, I guess they are both right. They are just talking about different sides of the apple.

Chair: Dmitry, that is helpful. Sam, would you concur with that?

Sam Lowe: I concur with that. I would also say that the retort of, "Well, they would say that," applies in both instances, in both directions. You are going to have farmers who are concerned about the UK's approach to trade and agriculture and agriculture in general voicing their concerns, and then on the Australian side they are going to say, "Don't worry about that." I think that Dmitry's assessment is the right one.

Chair: Great, that is helpful.

Q32 **Beth Winter:** The UK-Australia FTA in principle states that there will be a standalone chapter on animal welfare and antimicrobial resistance. This is the first time that Australia has recognised animal welfare in a trade agreement, but it is non-binding. Do you think that that will reassure Welsh farmers? Is the UK successful in promoting the priorities and the concerns of UK farmers? I will ask that to Dmitry first, please.

Dmitry Grozoubinski: I do not think that it is going to reassure too many people once they see the text. I think it is a good symbolic gesture.

The way that trade has evolved, and trade policy has evolved as a discipline, is that there is a bit of a journey, where it started off as very circumspect around a few narrow issues, and then new issues started coming in—things like trade and gender, animal welfare and so on. The way they tend to begin is that you start by having this soft law and saying, "We'll have a committee to discuss these things, we'll recognise their importance," and that opens the door. Then there is a hope that in the future you move towards more legally binding provisions. You start to explore ways to tie it to market access and have it bound by dispute settlement.

Symbolically and as a direction of travel, as someone who likes animal welfare, I think it is great. If there is a specific concern that Welsh farmers have about a specific way that animals are treated in Australia, will this give the UK tools to address it? No. It will give it tools to raise it and to discuss it, but Australia will not be obligated to treat an animal in any way differently because of this deal than they were a week before it was signed.

Sam Lowe: I do not think it will reassure farmers, no, and we heard from the last panel that they did not sound particularly reassured.

There is a broader question here: could the UK have included more stringent conditions on market access? Could the UK, for example, have said, "If you want tariff-free access to our market, you have to comply with rule X, Y and Z"? The answer is technically, yes, of course it could. These sorts of things have started to creep into trade agreements. We can even see it in a very macro sense in the EU-UK TCA, where there are conditions all over the place.

If you want to narrow it down, you have Switzerland's trade agreement with Indonesia, where it has made tariff-free access to a quota for palm oil conditional on that palm oil being certified by certain private standards bodies. You also have in the discussions between the EU and Mercosur a tariff rate quota open for liquid eggs into the EU on the condition that the Mercosur countries abide by certain EU approaches.

Can you do this technically? Of course, you can. You can put whatever you want when it comes to conditionality on a trade agreement. The question then is: can you get the other side to agree to it? The issue the UK had here is people like me were looking at it and saying, "Maybe they could get the Australians or the New Zealanders to agree to some of this because the UK is offering a lot of market access." Duty-free access to the UK's market is a big prize and there are pressures within Australia and also, if we look at New Zealand, within New Zealand to try to meet these standards anyway. It is not just an international discussion; there are domestic discussions on these sorts of issues as well.

Could the UK have asked for it? Yes. As far as I am aware, the UK did ask for it, but the Australians said no and at the end of the day the priority was getting this done quickly. If you were willing to drag this negotiation out for another year or another two years, potentially you could have included some of this conditionality because the Australians would have made you work for it. If you want to do something quickly, then, of course you cannot.

Q33 **Simon Baynes:** Thank you to the panel members. To Sam first, what impact will the free trade agreement have on the movement of goods within the UK, including Welsh products going to Northern Ireland?

Sam Lowe: Within the UK, including Welsh products going to Northern Ireland? Northern Ireland's relationship to the UK free trade agreement is incredibly complicated. Whether Northern Ireland qualifies for tariff-free access for exports, it is quite easy: yes, it does. For imports, there are lots of conditions applied because in some instances the EU tariff regime would have to apply.

I am not sure how much it would impact movement within the UK, including Welsh goods into Northern Ireland, on the basis that they could potentially enter via the not-at-risk mechanism, but there could potentially be some issues if those goods entering Northern Ireland were deemed at risk of onward transport into the EU and, therefore, exports from Wales that had incorporated inputs from Australia could not qualify for the UKTCA because it did not meet the rules of origin requirements because of those Australian imports. We are getting into some quite severe hypotheticals here.

My answer here would be, generally I am not sure how much it directly impacts Wales, but if we are talking about the Union as a whole there are certainly some big questions around UK trade agreements in respect of Northern Ireland.

Simon Baynes: Thank you. That answer demonstrates your expertise on the subject. Thank you, Sam. Dmitry, the same question to you?

Dmitry Grozoubinski: I genuinely do not have a lot to add on top of what Sam said. Potentially, there may be some challenges of Australian goods that are processed in Wales and then move to Northern Ireland, but it is an incredibly complex question that in large part also depends on what Australia and the EU manage to negotiate. I think that Sam summed it up.

Sam Lowe: One additional point I would make, maybe because it is easier to visualise, is that there is a hypothetical scenario—I do not think this is going to happen—in which the UK alters its sanitary and phytosanitary regime in order to achieve a trade agreement with Australia; therefore, for example, allowing beef reared with hormones to enter Great Britain. Those products would not be allowed to enter Northern Ireland because Northern Ireland is bound to the EU's SPS regime.

That could have potential ramifications for the internal movement of goods imported from Australia within the UK. I would treat that as a hypothetical right now in that there isn't an indication that the UK is going to significantly diverge from the EU's SPS regime, at least right now. Of course, this could happen in future and become a bigger problem then.

Q34 **Simon Baynes:** Dmitry, can I quickly go back to your point about the status of the negotiations between Australia and the EU? Could you comment a little bit more on that?

Dmitry Grozoubinski: Yes. The challenge for Australia in that negotiation is that the EU does not have a G7 conference coming up that it really wants to sign a deal on. A number of EU member states—most prominently France—are less than enthusiastic about the idea of providing Australia with the access it wants to the EU market on agriculture. Australia is facing this negotiation with a party that has really strong defensive interests around the things Australia wants to have.

Australia itself has a very liberalised regime so it does not have that much to offer beyond, I guess, the symbolism of doing a deal and a few things here or there on services and digital. I think they are finding it quite hard going because there is a gap between how much agricultural access Australia can accept, can claim a win over with the EU, and how much the EU is currently willing to give. It is a bit of a slog.

Sam Lowe: Could I provide a further context there as well? The EU is always unwilling to liberalise agriculture, but it is very unwilling in this instance because it still has the shadow of the Mercosur agreement hanging over its head. It has agreed the trade agreement with the Mercosur bloc, but it is struggling to ratify it. It is hedged in lots of concerns, but the reason that everyone in the EU is upset about that is pretty much because it offers some market access for agriculture. While that is still in play, it is nearly impossible for the EU to offer further concessions on agriculture elsewhere.

Simon Baynes: I know that time is pressing. I would love to go into that in more detail, but I will hand back to the Chair. Thank you both very much.

Q35 **Chair:** Yes, as Simon says, we are running very close to the end now. Sam, we have obviously spent a lot of time today talking about agriculture in the context of Wales and the draft UK-Australia trade deal, agriculture being such a significant part of the Welsh economy, but it is not the only part. Are there other parts of the Welsh economy, Sam, where you think we ought to be focusing some attention as a Committee in the context of this deal specifically?

Sam Lowe: If you look at the DIT assessment that was created before the negotiations and if you look at the bit about Wales and if you look at what industries and trades have the most exposure to the Australian market and export the most, agriculture is not mentioned. It is pharmaceuticals at the top. The other noticeable aspect of this is when compared to the other nations of the UK Wales trades very little with Australia in general. Northern Ireland trades more with Australia than Wales does.

In terms of things to focus on, the problem you have—it is not a problem, it is a good thing—is that the Australian regime is already quite liberal, so it is not that difficult to sell there as it is. According to the agreement in principle, there are some improvements that might be worth exploring, particularly around mobility: the potential that for short-term workers there will no longer need to be economic needs tests applied; the fact that the UK has managed to get Australia to drop some of its conditions around extending youth visas and the requirements to work on a farm.

These sound like small things, but I grew up in south Wales, in Llanelli, and I know people who went to live in Australia. It sounds like a weird thing to say, that I know someone who went to live there, but that is not that true of lots of other countries. It is somewhere where people from Wales go to, come back, and feel some relationship with. There are potentially some provisions in this agreement that could make that easier. It is certainly something worth exploring.

In other areas such as digital, I should clarify that digital provisions in trade agreements do not tend to create new market access opportunities. They just lock in existing levels of openness. Wales is home to some fintechs. It has Wealthify, it has some others that might be interested in this, and Australia might be a market they are considering expanding to in future. It might be worth asking them.

Chair: That is very helpful, Sam. Dmitry, is there anything that you want to add to Sam's answer?

Dmitry Grozoubinski: Not hugely, I guess just to float a general principle. What free trade agreements can do is remove government-imposed barriers to trade. The question you should be asking your businesses, Welsh businesses AND Welsh business associations is: is there something the Australian Government are currently doing that is making it harder or impossible for you to sell to Australian consumers? Then judge the free trade agreement on whether it did anything about those.

Chair: Great. We have hit 11 am, so our time is up. Thank you both again. It is really helpful. It has been a very useful session and we look forward to staying in touch with you and perhaps having you in front of us again for future inquiries. My thanks to you both.

When we wrap up, can the members of the Committee stay on for a post-discussion? Thank you. That brings this session to a close.