

## Welsh Affairs Committee

### Oral evidence: [One-off session on the implications for Wales of the UK/AUS FTA](#), HC 481

Thursday 22 July 2021

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

International Trade Committee Member present: Craig Williams.

Questions 36 - 67

Witness

I: Rt Hon Greg Hands MP, Minister of State for Trade Policy, Department for International Trade.



## Examination of witness

Witness: Rt Hon Greg Hands MP.

Q36 **Chair:** Good morning and welcome to this session of the Welsh Affairs Committee, where we are continuing to look at the proposed UK-Australia free trade agreement. I am delighted that we are joined this morning by the Minister for International Trade Policy, the Right Honourable Greg Hands MP. Minister, we are very grateful for your time and your input this morning. We have just one hour with you, so we are all going to need to be nice and brisk in our questions and our answers, please.

Could I kick off by asking you, Minister, to give us a very brief update on where we have reached with this deal? Obviously the agreement in principle has been signed, but how much of an inked-in text is there at this point?

**Greg Hands:** Thank you, Mr Crabb, and thank you for inviting me today to talk to you and the members of your Committee. The Australia deal is a great thing overall. It will be very good for the whole of the UK, including Wales.

As to where we are, you are quite right; we signed an agreement in principle. That document is viewable on gov.uk. It sets out the main parameters of the deal done with Australia. We are now working up a legal text, which we will publish in the coming months. That will take some time. A typical free trade agreement is between 500 and 1,500 pages long. I cannot predict how long this one will be, but we are working on that legal text.

That will be published in the months ahead, at which point we will also publish an impact assessment of the deal. We will send that to the International Trade Committee and the International Agreements Committee in the Lords. We will also involve the Chair of the DEFRA Select Committee, and then eventually it will go through Parliament for scrutiny itself through the CRAG process. There is quite a long process still to go, but, as I stress, the agreement in principle sets out the main parameters of the free trade agreement.

Q37 **Chair:** Thank you very much for that. How do you respond to suggestions that have been made—we heard this last week from two of the trade experts that we took evidence from—that there was almost an undue haste on the part of the UK Government to get some kind of agreement signed, which has led, basically, to Australia being given overly generous access?

**Greg Hands:** I disagree with that. I looked carefully at the evidence that you took. By the way, I thought that generally the evidence was quite good that you had from Sam Lowe and Dmitry—like you, I might struggle with Dmitry's last name—Grozoubinski—

**Chair:** Perfect.



**Greg Hands:** And also from the Farmers' Union of Wales, NFU Cymru and the AHDB. Generally it was quite good evidence that you had, if I may say so, Mr Chairman, but I disagree with those suggestions. We set up a trade working group with Australia. Australia was identified as one of our key early partners for a free trade agreement way back when I was at the Department at its inception in 2016. We set up a trade working group in 2017, so four years of work has gone into this agreement. I entirely reject any idea that we have hastily gone into an agreement or were somehow driven by the G7 timetable. Of course, Australia is not a member of the G7. It was great that the Australian Prime Minister came over for the G7, but it was never the timetable driving the deal. It is a good deal for both sides. We think that a lot of work has gone into it, and I credit my officials and negotiators—the whole team here at DIT.

**Chair:** Great, thank you. I am going to start bringing in colleagues now, so Robin Millar first of all, please.

Q38 **Robin Millar:** Good morning, Minister. Thanks for your time with us and for picking this issue up. This is very important to many of my residents, and to farmers in particular. Will the impact assessment, when it is published, and the final text include specific analysis of the impact on Wales?

**Greg Hands:** Yes. The scoping assessment, which we published in 2020, is a much less precise assessment, because at the time of the scoping assessment we do not know what is going to be in the deal. These are the sorts of things that might happen as a result of the deal. We also did some looking at regions and nations of the UK. I would expect that to be in the impact assessment, which will be independently scrutinised as well. The answer is that I very much expect that to be the case. I could not say at this point, but I might refer back to the Japan deal, where I think we did do some detail on regional and national impacts of the deal.

Q39 **Robin Millar:** That will be most welcome. I am getting mixed messages. As much as we hear about concerns, I can also speak for businesses that see opportunities from it. What issues will the impact assessment cover? Will it be looking at the opportunities as much as the concerns for Wales?

**Greg Hands:** Yes. You are absolutely right, Mr Millar; there are huge opportunities for Wales in the deal. Obviously, the focus out there has generally been on agriculture. By the way, I would point out that we have an agrifood surplus with Australia, so there are opportunities in agrifood with Australia. For example, it has 21% tariffs on cheese, so the ability to sell Caerphilly at zero tariff, as well as Welsh cakes, Welsh cider and Welsh beer, into Australia is a huge opportunity. Already, UK food and drink exports to Australia and New Zealand have grown by about £484 million over the last year.

In other sectors there are big opportunities in areas that are important to the Welsh economy. Autos will have a 5% tariff removed. Some pharmaceuticals attract a tariff in Australia of up to 5%. I think that



pharmaceuticals is Wales's biggest export to Australia at the moment. Clothing apparel is 5%, as well as all of the services provisions that will be in the deal. There are big opportunities here for the whole of the UK, and that very much includes Wales, in joining Australia. I am sure you will come on to this, but of course there is the opportunity of joining the CPTPP Pacific Rim free trade area—it is currently located in the Pacific Rim—which will also bring big opportunities for Wales, including in agriculture.

**Robin Millar:** Thank you, Minister. I know that the residents of Aberconwy will be watching this very closely, and I am pleased to hear that.

**Chair:** Thank you, Robin. I should point out that Craig Williams is guesting with us today from the International Trade Committee. We are delighted to have Craig with us.

Q40 **Craig Williams:** Thank you, Mr Chairman, and thanks on behalf of the International Trade Committee for allowing me as a guest.

Minister, could I jump in on the back of Robin's questions about the impact assessment? Clearly, we could not learn much from the scoping assessment, by its very nature, but we also look at trade deals and the impact of trade deals using very static analyses. They do not lend themselves to showing either the full potential or any deleterious impact on the economy. What are your thoughts on that, and how we can better impact assess or just assess these trade deals?

**Greg Hands:** Impact assessments are, if you like, a snapshot at that time. Sometimes they can quite wildly underestimate the beneficial impact. Before New Zealand did a deal with China about 20 years ago, I think the stated gain to GDP for New Zealand got it wrong by a factor of 20 or 30. We try to be as accurate as we can be in our impact assessments, but inevitably there will be quite a wide range as to what the impact might be. It certainly will include the impact on UK regions and nations, including Wales. I would refer everybody to the impact assessment we did for the Japan deal. Have a look at that, and I think that it will give you an idea of the sort of thing that we would be looking at for Australia.

Q41 **Craig Williams:** I will move on to the main question, which is about how you deal with DAs—clearly we are talking about Wales today, so we are talking about the Welsh Government and Welsh Parliament—and the engagement you have had to date. For example, were they shown the draft agreement in principle? Clearly they spoke very highly of your sharing the Japan chapters and the legal text, but under your constitutional responsibilities, what are you meant to do with DAs and what have you been doing with DAs?

**Greg Hands:** I have a very good relationship with the Welsh Government. We have to recognise the devolution settlement. Trade policy is a reserved matter to the UK Government, but clearly trade deals



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and trade policy do have an impact on areas of devolved competence like agriculture. I think that it makes sense for us to work together, notwithstanding political differences. I go out of my way to make sure that the three devolved Administrations are kept posted and apprised of what we are doing, while still recognising that trade policy is a reserved matter.

Over the years I have had successively good relations with Eluned Morgan, Jeremy Miles and most recently with Vaughan Gething, who I have met with. He has not been in position that long; I think he took over just after the Assembly elections. I have met him three times already to talk about this deal and others. We also have a structured quarterly Ministerial Forum for Trade with all three devolved Administrations to talk about issues.

Generally, the way we do it is we have the quarterly structured Ministerial Forum for Trade, but on top of that, when an important event comes up, like when we are starting a negotiation or reaching agreement in principle, or occasionally on an ad hoc basis—for example, the partial resolution of the Airbus-Boeing dispute—I will either get the individual devolved Administration Ministers together or convene the three of them together to meet with me.

It is in our interests, I think, as the UK Government to keep the devolved Administrations apprised of what we are doing, while still respecting the fact that trade policy and free trade agreements are a reserved matter.

**Q42 Craig Williams:** Clearly, these relationships go both ways. Recently, we have had the Welsh Government announce their export action plan. Given that it is a reserved competence, were you or your Department involved in that, as they would expect in terms of a draft treaty?

**Greg Hands:** I would have to check on that. It might be that Minister Graham Stuart, who is our exports Minister, was sighted on that. I don't know. Could I write to you on that?

**Craig Williams:** You had better write to the Welsh Affairs Committee, but I will chase you up from a different angle.

**Greg Hands:** Okay. I will write to the Committee as to whether the UK Government—in terms of export promotion, this is an area where both Governments assist. We are setting up a trade and investment hub in Cardiff. We will also be directly assisting Welsh exporters, which is very much within our remit as well. In general, I would say that we have a good working relationship with the Welsh Government. Partly due to the fact that the SNP has never supported any trade deal ever, that makes the relationship with the Scottish Government sometimes a bit more difficult. I think that the Welsh Government, to be fair, is a little more pragmatic on where trade deals and trade policy go.

**Chair:** I think that Beth Winter would like to ask a supplementary at this point.



**Q43 Beth Winter:** Yes. Thank you, Minister, for joining us this morning. As you said, the Welsh Government do feel that they have had the opportunity to feed in their views on the agreement, but they do have concerns, particularly around ensuring that the trade deal does not disadvantage Welsh producers, as an example. I want to dig a bit deeper in terms of how much you will take into account the Welsh Government's views. Can you clarify whether or not the devolved Administrations were given sight of the draft agreement in principle, and can you reassure us that they will be given advance sight of the text of the final treaty, please?

**Greg Hands:** Sometimes these things move quite quickly. As it happened, on the day that the agreement in principle was done, I did speak directly to all three devolved Administrations. I remember it quite clearly. We had to postpone the meeting from, I think, 9.00 am because the two Prime Ministers, Boris Johnson and Scott Morrison, were still meeting at that point. I postponed it to that afternoon, but as quickly as was feasible, I updated the Welsh Government on the agreement in principle.

In terms of moving forward, wherever is appropriate. I have to recognise that trade policy is a reserved matter, but I personally make it a priority to keep the three devolved Administrations informed at all stages, as some of the earliest stakeholders to be informed.

I also make it a priority to speak directly with Welsh interests. We are a Government for the whole of the UK. I have had many meetings with NFU Cymru and the Farmers' Union of Wales. I have also done four constituency roundtables with farmers and their constituency MPs in the last couple of months, including for at least two constituencies of Members who are on this call. I am ready to do further ones of those as per demand. I think that it is important as well for me to speak directly with Welsh consumers, exporters and business groups because we are a Government for the whole of the UK.

**Q44 Beth Winter:** Can I just very quickly come back? Speaking to people is great, but you are not confirming whether you will give the Welsh Government advance sight of the actual treaty. Is that right?

**Greg Hands:** It depends exactly what you mean by advance sight of the actual treaty. I have to also be mindful of the fact we have obligations here in the UK Parliament to deposit that treaty as well, but most importantly I keep the Welsh Government informed at all stages—I think that the Welsh Government would confirm that; our officials work well together—in terms of what is coming up and what is likely to be in the deal and, as importantly, I get feedback input from the Welsh Government.

That is one of the reasons for doing the Ministerial Forum for Trade. It is very much an interactive forum. For example, when we talked about the EEA agreement, I asked them very early on, "What would be important



for you, the Welsh Government, to have in this deal?" To be fair, the Welsh Government often feed in, saying that it would be very important for this sector or the other sector. I remember having conversations with Eluned Morgan about the importance of automotive in Wales.

We make sure that there is a strong voice as we formulate that agreement, which is probably more important than the legal text of a free trade agreement. I think that being of influence in the formulation of that agreement is in many ways more important.

**Q45 Virginia Crosbie:** Thank you, Minister, for meeting with my businesses and my farmers recently on Ynys Môn and for holding the meeting in English and in Welsh. My question relates to consumer food prices. What is your assessment of the impact of tariff-free access for Australian beef and lamb imports on consumer pricing and the Welsh agrifood sector?

**Greg Hands:** Thanks, Ms Crosbie, and it was a pleasure. I should just clarify, in case anybody thought that I was speaking in Welsh at your meeting, that others provided interpretation services for me. I do speak some languages, but unfortunately Welsh is not one of them. It was a pleasure to meet your farmers and stakeholders.

These sorts of things could well feature in the impact assessment that will be done, and which will also be scrutinised independently. I refer back to the evidence that you took last week from Sam Lowe from the Centre for European Reform and David Swales from the AHDB. David in particular is a real expert when it comes to agriculture prices, consumers, trade flows and patterns in agricultural produce. He said, "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". He is absolutely right.

I will come on to this, because by joining the CPTPP trade agreement, the UK will have the opportunity to get a piece of the action when it comes to exporting into faster-growing Asian and American markets. At the moment 75% of Australian beef exports go to Asia and 70% of their lamb exports go to Asia. Part of the reason for that is that production prices in Asia are far higher in than the UK, let alone Australia. The price of producing a tonne of beef, for example, in Japan is £7,300, according to the most recent figure I have, and in Korea it is £7,200. The UK figure is £3,700, so the UK produces beef with our very high quality and high standards—a consumer-friendly product—at half the price that Japan or Korea do.

Instead of fretting about Australian produce entering this market, which I do not deny is a legitimate question—I have spoken to the Farmers' Union of Wales and NFU Cymru at some length about this—we should be thinking that there is an opportunity here: 90% of the world's middle class by 2030 will be in Asia. There is a huge and growing demand for meat, and most of that is coming out of Asia. The opportunity for the UK is being able to sell our high-quality produce, including lamb and beef



and all the other brilliant UK agrifood products that we have, into Asia and into the Americas as well.

Q46 **Virginia Crosbie:** Thank you. That is a very detailed answer. To follow up on that, my understanding is that the Agriculture and Horticulture Development Board is modelling the impact of the FTA. Will its analysis make any difference to the final agreement?

**Greg Hands:** I read that in the evidence that you took last week, and I am very happy to look at its analysis. As I say, it is quite expert in this field, so I will certainly have a look at its analysis. I guess it will depend when it publishes it, but we have agreed in principle with Australia the major outline of the free trade agreement. I will certainly have a look at its analysis as and when it is published.

Q47 **Simon Baynes:** Thank you, Minister, for your time this morning. It is much appreciated.

I want to move on to the area of the role of the Trade and Agriculture Commission and start off by asking you whether you are confident that you have identified all of the possible agricultural impacts of the free trade agreement. Has the agrifood trade advisory group scrutinised the Australia FTA text?

**Greg Hands:** There is quite a lot in that question, so let me try to separate it out a little bit. It is important to understand, as you did in that question, the difference between the agrifood TAG and the Trade and Agriculture Commission. The agrifood TAG is a set of experts in the field who sign confidentiality agreements, whom we talk to during the process of the negotiation. We bounce ideas off them. Australia says to us, "We would like to do A, B or C". We speak to the agrifood TAG, if appropriate, and say, "What do you think the impact would be on UK sectors if we were to agree with that?" That is the sort of conversation we would have with the agrifood TAG.

That is separate from the Trade and Agriculture Commission, which looks at the deal itself once the legal agreement is done. This document with multiple hundreds of pages goes to the Trade and Agriculture Commission, and it opines, according to the legislation that is laid out in the Agriculture Act 2020 and the Trade Act 2021, about the impact that this agreement might have on UK standards in relation to food safety, animal welfare and environment. It will produce a report in due course. That is the difference between the TAG and the TAC, for want of a better description.

In terms of the other things that you asked, all the agricultural impacts are something that will be in the impact assessment. Will it include all the agricultural impacts? Yes, I see no reason why it would not. I think the impact assessment would look at all the impacts from the deal. That is part of the job of the impact assessment. Others might disagree with the impact assessment or highlight different aspects of it, but the role of the impact assessment is obviously to look at the impact of the free trade





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agreement on all the UK sectors, not just agriculture, as well as the UK economy, our export opportunities into Australia and so on. That is the role of the impact assessment.

There was quite a lot in that question. I hope that has answered all the different parts, but do come back to me.

**Q48 Simon Baynes:** No, thank you; that is great. Moving on, what value do you think the Trade and Agriculture Commission will be able to add in scrutinising the treaty text after signature? There are a couple of subpoints to that. Could you confirm when the TAC will be set up and how much time it will have to scrutinise the agreement? I will leave the question at that, and then I have a further one after.

**Greg Hands:** Sorry; just give me the first question again, Mr Baynes.

**Simon Baynes:** What value do you think the Trade and Agriculture Commission will be able to add in scrutinising?

**Greg Hands:** Great, thank you. The other thing I should clarify is the difference between the original Trade and Agriculture Commission and the new Trade and Agriculture Commission. There was a report done. The original Trade and Agriculture Commission was set up last summer under Tim Smith, and its role was to produce a report, which it did very diligently and well and published in March, and which the Government will be responding to shortly. It looked at the general issues around agriculture, standards and trade. That is the original Trade and Agriculture Commission.

We are setting up a new Trade and Agriculture Commission, which is anchored in statute in the Trade Act and the Agriculture Act, and which will look at each individual free trade agreement. For example, the Australia deal is our first from-scratch free trade agreement. It is a huge thing for this country, and we are looking forward to the Trade and Agriculture Commission getting into that. We very much welcome that. After all, it was our idea to have the Trade and Agriculture Commission set up at DIT, working with DEFRA, so we very much welcome the Trade and Agriculture Commission's scrutiny when it comes when the deal is published.

In terms of the timing, the expressions of interest were sent out from Secretary of State Liz Truss last month. That process is now closed. We are looking at those expressions of interest. I believe that is now closed; let me come back to you if I am wrong on that. We are looking at those, and the new Trade and Agriculture Commission will be set up in good time for it to opine on the legal text of the deal. I stress that it will still be some time before we have the full legal text. A lot of work is going on at the moment to produce the actual legal document, but the new Trade and Agriculture Commission will be in place in good time to opine on that deal.

**Q49 Simon Baynes:** Give us a rough idea of what you define as "in good



time". Are we looking at the first part of next year or the end of this year?

**Greg Hands:** In terms of when the full legal text is published, I would say that will happen in the coming months. The Trade and Agriculture Commission will be set up in good time to scrutinise it when it is ready. That is the sort of timetable I will give you.

Q50 **Simon Baynes:** Again, how long do you think it will take? It may be difficult for you to answer that, but to give us a rough idea, how much time do you think it will take for it to scrutinise the agreement? Is it a matter of several months?

**Greg Hands:** I would say that it is a matter of weeks, a few months—that sort of magnitude. Obviously, it is a new process and it is a commission that is not yet set up. While we have agreed the free trade agreement in principle, we do not yet have the document in front of us. There are quite a few moving parts in that, but the sort of magnitude I would be expecting to see would be weeks, or a few months at the most—that sort of timeframe.

Q51 **Simon Baynes:** Thank you for that. Finally, can you guarantee that the commission will have members with experience of the Welsh regulatory landscape? That is obviously of primary concern to all of us—not only to me as a north Wales MP, but to all my colleagues on the Committee.

**Greg Hands:** It is vital that it be experts in the field. We will be making sure that the experts in the field come from a broad range across the UK. It is not our intention to have specific representatives representing any of the nations of the United Kingdom, but we want to make sure that the members of the Trade and Agriculture Commission—obviously, a lot of it will be down to the new chair, whoever that person is, to make sure that we will be getting their voice in terms of the membership of the Trade and Agriculture Commission. Broadly, we want it to be a panel of experts—a committee of experts—but we will be making sure that it reflects the broad parameters of the United Kingdom.

**Simon Baynes:** Thank you, Minister, very much.

Q52 **Chair:** I am going to bring in Geraint for a quick supplementary, but very briefly, Minister, you were referring to this work that is going on around producing the legal text. How much active negotiation is going on now over that text?

**Greg Hands:** A lot, Mr Crabb. While the broad parameters are there, and I refer you to the document on gov.uk, how some of these things work out in practice does need a lot of discussion between the two sides. A lot of it is quite lawyerly discussion as to exactly how that gets put into a legal agreement. The agreement in principle, depending on what font size you use, is something like five to seven pages, whereas a typical free trade agreement is somewhere between 500 and 1,500 pages. Clearly there is a lot of text that needs to-ing and fro-ing, legal scrubbing on and



so on. Nothing in the final text ought to contradict the agreement in principle, but the final text will clarify some areas.

**Chair:** That is very helpful. Thank you.

- Q53 **Geraint Davies:** Minister, you know that we had a debate for 90 minutes on this with the DEFRA Committee, in particular, yesterday. The original Trade and Agriculture Commission put 22 recommendations to you on 2 March and 22 weeks later you have not responded to that. Can you give an undertaking that the new Trade and Agriculture Commission will be set up in time to provide valuable analysis of both the agreement in principle, which is already on the table, and the more detailed agreement as it emerges from Australia so that parliamentarians can have a full and proper and independent analysis of this deal with an impact assessment so they can make a judgment about the deal when it is on the table and, if possible, influence the deal as it evolves?

**Greg Hands:** Mr Davies, first of all, thank you for that and thank you for your contribution yesterday. I am going to repeat what I said yesterday. I am going slightly off on a tangent, but I do have to correct what you said yesterday in terms of free trade agreements overriding domestic law. Can I repeat to you that that is not the case? Domestic law may need to be changed to reflect a free trade agreement, and that reflects the primacy of domestic law. Nothing in a free trade agreement sets or overrides domestic law. I want to be absolutely clear on that. I am just tidying that up from yesterday.

**Geraint Davies:** I know I did not ask that question now, but just so we are clear on that point, my understanding is that international treaties do override domestic law, and that is why domestic law has to be changed, as you have just confirmed.

**Greg Hands:** No, it doesn't. No, you change domestic law to reflect the treaty. That is absolutely clear.

Let me come on to your question today. First of all, the 22 recommendations are a very big, meaty piece of work from the original Trade and Agriculture Commission covering a huge range of areas, well beyond an individual free trade agreement—a lot of work over a long period of time. Many months went into that. I think it is quite right that the Government consider all of those different aspects of the original Trade and Agriculture Commission's report, but as I have said, I am committed to delivering the Government's response to that shortly.

As for the new Trade and Agriculture Commission, to repeat the pledge I gave earlier, yes, there will be enough time for the Trade and Agriculture Commission to be set up in good time to then scrutinise the final legal text of the agreement. That is exactly what the purpose of that is and it is following the statute—the Agriculture Act 2020, the Trade Act 2021—and fulfilling the legal obligations under those Acts. That is exactly what the purpose of the Trade and Agriculture Commission is. We expect it to be set up in good time to fulfil its statutory purpose to inform Parliament



about free trade agreements—the specific Australia free trade agreement, and the impact that it may or may not have on domestic standards, particularly in relation to animal welfare, food safety and the environment.

**Geraint Davies:** But not the agreement in principle?

**Chair:** Thank you very much. Rob Roberts, please.

Q54 **Rob Roberts:** Good morning, Minister, and thank you for your time. Going back to touch on a topic that you discussed with Virginia Crosbie earlier on, this agreement in principle outlines the elimination of tariffs on Australian beef and lamb imports over 10 years and the removal of safeguards over 15 years. Since 2013, imports into the UK of beef, for example, have only been between 2,500 and 7,000 tonnes, so an increase of 35,000 tonnes of access under the FTA, rising significantly after 15 years, would be a big increase. The FUW has said: “The whole point of a new trade deal is that it changes the situation, so using current export volumes to justify or defend a deal is...misleading”. I am interested in whether you could comment on that quote from the Farmers’ Union of Wales, and whether you expect Australia to significantly ramp up exports to the UK. If so, why would you think that?

**Greg Hands:** Again, I refer you to the evidence that you took from the AHDB and also from Sam Lowe at the Centre for European Reform. I agree with them; I don’t think that we will see a surge in imports from Australia. I think that we will see an increase. You are right to point out the very low volumes that we currently import from Australia.

The second point I make is that of course we currently import entirely tariff and quota free from the European Union, and to oppose the Australia free trade deal I think you would have to answer the question: why are you in favour of unlimited imports from the EU but opposed to staging liberalisation with Australia over a 15-year period? Fifteen years is quite a long time for markets to adjust and for domestic producers to adjust, but we also hope in that time to be doing more free trade agreements, which will allow our agricultural exporters, as I said earlier, to take advantage of the ability to sell produce into those fast-growing Asian and American markets as well.

By the way, if there is, that is exactly why safeguards are in place within the agreement. If there is an unexpected increase or a surge in imports from Australia, that is exactly why the protections are in place—to take action. We can also slow the pace of tariff liberalisation if we have those unexpected surges.

The reason I don’t expect there to be a huge increase is that Australia is much more incentivised to sell into those fast-growing Asian markets. As I say, 90% of the world’s middle class will be in Asia by the year 2030. Meat consumption is going up in those countries and that is one of the reasons we are looking to get into CPTPP to access markets like Vietnam. That is why other countries, like Korea, Thailand, the Philippines and



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Taiwan, are seeking to join CPTPP. That is where I think the opportunities for the future are for us to sell our high-quality British agrifood products, and indeed other products as well.

I don't see there being a huge increase. Just because a quota has been set does not mean to say that that will be the amount that Australia exports to us. Australia does not currently fill its lamb export quota to the UK. Part of the reason for that is that the price of Australian lamb when it reaches the UK market tends to be at or even above where the UK domestic price is, and most evidence points to domestic production costs, for lamb in particular, for the UK and Australia not being radically different, both being close to world market prices. Certainly, when the product arrives from Australia—lamb into the UK—it ends up being as expensive, if not slightly more expensive, than the UK product. That is one of the reasons why Australia does not currently fill its lamb quota to us.

These things move around; world market prices, world consumer trends and consumer preferences move around. At the moment there is a huge preference in this country for buying UK—British, Welsh and Scottish—produce in our supermarkets; 100% of meat sold in many of our major supermarkets is UK branded. Of course that could change, so there are some unpredictables in all of this, as you would expect, in world commodity prices, consumer trends, consumer preferences and so on.

Broadly speaking, I do not see there being evidence for a huge increase in Australian imports into this country. There will be some, partly because their exports to us at the moment are so low in these areas.

**Q55** **Rob Roberts:** Fabulous. Thank you for that very comprehensive answer. Very quickly, the agreement in principle indicates that the UK Government might be willing to offer similar tariff-free access for agrifoods in future FTAs. I am interested in what kind of precedent this might set for future deals, which may collectively flood our market, rather than it just being from one place.

**Greg Hands:** That is a very good question, Mr Roberts, and the answer is that every free trade agreement is its own free trade agreement, to state the obvious. It will depend on that market, the circumstances and what we are offered in return. Obviously, it is a two-way street. We feel that, overall, the Australia deal is very good for the UK as a whole, including for Wales, but if other countries offer us less or offer us terms that are not as good, we won't offer such good terms in return. It is a negotiation. The UK enters these negotiations as a willing partner. We do not have to sign up. We sign up to deals that we think are in the best interests of the UK economy.

As to the precedent thing, clearly others will notice and negotiation partners in the future will say, "Hold on a moment. You granted Australia this, that or the other. You granted the EU tariff-free and quota-free access. Why won't you grant the same to us?" Of course they are going



to say that, but we will say in return, "Hold on a moment. Australia has granted us X, Y or Z coming the other way. You are not matching that". That is the nature of an international negotiation. It does not set a precedent, although others, I am sure, will take note and will make their arguments accordingly, but it does not mean to say we have to agree to anything. We agree to what is in the national interest.

**Rob Roberts:** Super. Thank you so much.

Q56 **Chair:** I am conscious that we need to increase the pace if we are going to get through everything. Before I bring in Beth Winter, can I come back, Minister, to this issue of safeguards kicking in? You talked about what happens if there is a surge in imports. How clearly defined is the set of circumstances that would be required to trigger the safeguards taking effect? How much thought has gone into that, Minister?

**Greg Hands:** The sort of detail here will be subject to the further fleshing out of the agreement, but let me take you through how the two instruments work. The first instrument, which is for the first 10 years, applies a tariff-rate quota. It automatically applies, so anything over that quota will be a tariff equivalent to around 80% for beef and 53% for sheep meats above a certain volume threshold. I can send it to you, but that volume threshold increases each year as we go through. That is how one to 10 works, so anything over that will attract a very high tariff indeed, almost like a punitive tariff if it goes over that quota.

The second instrument is from years 11 to 15, and it is called a product-specific safeguard. It has a broadly similar effect, but with a rather lower tariff—20% above that volume threshold. It has a less dramatic effect between years 11 to 15. For anything beyond that, I ought to point out there are also World Trade Organisation safeguards, which are the sort of thing you get across any product if there is any feel of dumping below cost—the sorts of safeguards that we have in place on steel from China, for example. So there is additional protection on top of the tariff-rate quota and the product-specific safeguard.

Q57 **Chair:** Will Australia be able to appeal those punitive tariffs?

**Greg Hands:** That is a very good question. That will also depend on what is agreed in the agreement. Could I agree to write to you, Mr Crabb, on exactly what process there will be? There is generally an arbitration mechanism, or will be in the agreement, for disputes within the agreement, but let me write to you on what specific right Australia would have. My impression is that we would set out in the agreement precisely those levels. I think the tonnage and the tariffs that would kick in above that tonnage would be set out in the agreement, so I am not sure that there would be grounds for an appeal using that. I am happy to write to you in a little bit more detail on that.

**Chair:** Thank you, Minister. Beth Winter, please.

Q58 **Beth Winter:** The previous Trade and Agriculture Commission as well as



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the National Food Strategy have both called for food production standards to be defended in trade deals, and the potential for the deal to have a negative impact on animal welfare standards has been expressed by several witnesses, including the Farmers' Union of Wales. Can you confirm whether the UK Government did look at food production standards and ensuring that those are defended in negotiations with Australia? Moving forward, will you agree to draw up a list of core minimum standards that you will defend in any future trade deals, as suggested by the National Food Strategy?

**Greg Hands:** Thank you, Ms Winter; those are very good questions. Our core minimum standards are set. They are set in the withdrawal agreement and the rolled-over standards that we have taken from the European Union. Those are our core standards. On top of that, I have a manifesto commitment for there to be no compromise on our standards in food safety, animal welfare and the environment, which includes the impact of the environment on agriculture. We have our core standards, which are very high, and I also have a manifesto commitment for no compromise on those standards. That would be my first point.

The second point I make is that free trade agreements—and certainly not this one—do not create new standards or new permissions for goods to enter the UK. Australia currently sells us an amount of beef and sheep meat that must meet our import standards. It cannot be hormone treated, to give one example that is out there. Australian agriculture can use hormones and Australia has different domestic production standards to us, but the product, when it enters the UK, must meet our import standards, which would mean no hormones being present in that beef meat or anything else that comes into the country. That is unchanged as a result of this or indeed any other FTA.

We set our standards. The FTA does not create new permissions to export to the UK or for us to have to import a new product. The FTA, as we have already discussed, will create a tariff liberalisation or a higher quota, but will not change the sorts of products that come into the UK. For example, those products that are currently banned will remain banned under the rolled-over rules in the EU withdrawal agreement. Our commitment to having no hormone-enhanced or hormone-produced beef in this country is absolute and is not changed as a result of that free trade agreement. Our domestic standards and our import standards are absolute. We have a manifesto commitment to have no compromise on those standards going forward.

By the way, it is not primarily my role to defend Australian domestic standards; that is a role for Australia. I know that the High Commissioner has written to all MPs on this. Australia can make a good argument that its standards are pretty high. It is rated five out of five by the OIE, which is the international organisation when it comes to animal welfare for veterinary inspections. They ban certain practices that are allowed in the EU, like the production of foie gras, the castration of meat chicken and



other things. I don't think it would be right to describe Australia as a low animal welfare standards country. Its standards are different to ours.

**Beth Winter:** Thank you, Chair. I could come back, but I am conscious of time, so I will hand back to you now.

**Chair:** Thank you, Beth. I appreciate your understanding. Jamie Wallis, please.

Q59 **Dr Jamie Wallis:** Thank you, Minister, for appearing before us this morning. It is great to see you here. I want to move on to export opportunities. Given that Australia accounts for less than 1% of Welsh exports, how significant do you think the removal of tariffs on goods will be to Wales?

**Greg Hands:** I think of the potential as being very significant, not just on tariffs—for example, there are 5% tariffs on steel, on autos 5%, and on a lot of Welsh food and drink like cider; Caerphilly cheese attracts tariffs, as do clothing and some pharmaceuticals—but also for Welsh services from the chapter on financial services, and I think other services will benefit as well from the free trade agreement. I think there will be real benefits for Wales in the broader agreement, and also on agrifoods.

Q60 **Dr Jamie Wallis:** What impact will the rules of origin requirements have in limiting that access for Welsh exporters?

**Greg Hands:** The rules of origin in the agreement are pretty liberal—more liberal than the EU has done with us. One of the great issues with the trade and co-operation agreement, which is a very good deal overall, is that we wanted Brussels to go further on having more liberal rules of origin. That has caused difficulties in places where those more liberal rules of origin have not been agreed. I do not expect there to be problems caused by rules of origin with Australia, and I think the more liberal rules of origin that are in that agreement will ease trade with Australia considerably.

Q61 **Dr Jamie Wallis:** Thank you. You mentioned some of the export opportunities. Looking at just lamb and beef for a moment, is Australia a key export market for Welsh lamb and beef, and do you anticipate that changing in the future?

**Greg Hands:** I don't anticipate that, Mr Wallis, to be frank. There may be some, but I am expecting the bigger opportunities to come from CPTPP. It is important that the Australia agreement, the New Zealand agreement and last year's Japan agreement have opened the door for us to join CPTPP and those fast-growing consumer markets in Asia—the likes of Japan, but also more developing markets like Vietnam and others. That is where I see the real opportunities for Welsh agriculture going forward.

I also think that removing the US ban on UK lamb is a very important objective. Obviously the US is not in CPTPP, but Secretary of State Liz Truss was in Washington last week and we are seeking to get that ban removed to be able to access the US market, which is a huge opportunity





for Welsh lamb. The US does not currently have a lot of domestic lamb production, but it has quite growing rates of lamb consumption. It is seen in the US, rightly, as being a healthy meat and it is quite well enjoyed on the west coast and east coast. Currently a lot of the US's lamb is imported from Australia, for example, and it would be quite nice for us to sell some Welsh lamb and for that to arrive in those trendy restaurants and on dinner tables across the east coast and the west coast of the United States.

**Q62 Dr Jamie Wallis:** Hear, hear, Minister; thank you. Have you modelled the potential impacts that accession to CPTPP would have?

**Greg Hands:** We did an impact assessment last year, and as and when we have the final agreement to accede to CPTPP, we will publish a further impact—sorry; we did the scoping assessment on joining CPTPP recently, and we would expect to do a further assessment on joining CPTPP once that agreement is in place, which will not be for some time.

**Q63 Tonia Antoniazzi:** Minister, the UK Government indicated that there would be more agriculture and food counsellors based overseas to help exporters access markets. You have spoken at length about the fast-growing markets and the opportunities, but there are only two. How can the Government justify us competing on a global scale and having these opportunities that you have spoken about when we have a distinct disadvantage by not having enough players on the field?

**Greg Hands:** Let me say a couple of things on that. You raise a very good point in terms of our agrifood trade promotion, which is an important thing for the Government. I know that the NFUs across the UK have made this point and it is a very good, strong point: what are the UK Government doing to assist in our exports?

The two agrifood counsellors that you point to do a fantastic job. One is in either Beijing or Shanghai and the other is in Dubai in the Gulf, I think. It would be wrong to characterise them as being the only two people promoting agricultural exports around the world. I have a big commercial diplomacy network through the world in 119 different markets—hundreds of people promoting UK agriculture exports in general. The fact that they may not be dedicated only to agriculture does not mean to say that they do not exist and they do not do a fantastic job.

For example, stateside I think I have located in 11 different American cities people working to promote UK exports, with success. With the ending of the beef ban last year, the very first beef that arrived in the United States was consumed by our ambassador quite publicly with some success. It must have been a bit chilly; it was November. It came from Northern Ireland, as it happened. That is success being made by our market access people and our export promotion people all around the world.



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Yes, you are right; we only have two of these agrifood counsellors, but I have hundreds of people overall who are helping to promote UK agriculture exports around the world.

**Tonia Antoniazzi:** Yes, but the point is that when the American embassies have dedicated ones across the world, it does put us at a distinct disadvantage. I will move on.

**Greg Hands:** I don't agree with that, because my numbers, my markets and my locations—the UK has one of the best commercial diplomacy and diplomatic efforts right the way across the world. I do not think it would be fair to say that we have a weaker representation. We have more people, but we may have more generalists than the other markets you quote.

Q64 **Tonia Antoniazzi:** Will future counsellors be Government funded? Will there be more specialised ones brought on board, or do you expect the levy on farmers to fund them? When I talk about the levy on farmers, does it bring into question where the money that the farmers are paying is being spent, and whether it is being spent appropriately?

**Greg Hands:** We are working very closely with DEFRA on where we go from here. The Government does have a commitment to do more to promote our agricultural exports. We have our Open Doors campaign. Later this year we will be having our refreshed export strategy. These are matters we are very actively looking at with DEFRA and with the industry to make sure that we get it right. I am looking forward to us doing even more promotion of our brilliant UK agrifood industry.

Q65 **Chair:** Thank you very much, Tonia. We are coming to the end in a few minutes. I am going to bring in Geraint Davies for a supplementary in a second but, Minister, can I come back to this issue of import standards? It is something that the farming representatives keep coming back to. Import standards are not the same thing as food production standards. Their argument is that cost advantages for Australian producers are locked in because of different food production standards. There is no need to argue about whether they are ethically better or worse, but they are different.

Can you clarify that when you talk about import standards not changing at all as a result of the deal, that is not the same thing as food production standards? Food will be able to come in that has been produced to different standards than our own producers have to comply with. Isn't that the nub of the farmers' concerns?

**Greg Hands:** That is a very well-put question, Mr Crabb. You are right; we can set our import standards. I cannot set Australian domestic standards of production—nor, to be frank, would you want the Australian trade or agriculture Ministers to be setting our domestic standards of production. We are keen to maintain our standards on imports, which I have already talked about.



However, on top of that, we have agreed in principle and will be fleshing out the text on a specific animal welfare chapter in the UK-Australia agreement. It includes things like non-regression, so neither side can lower their animal welfare standards, particularly to promote trade or try to get an unfair trade advantage. I think I am right in saying that this is the first time that Australia has agreed to do that.

We do have a certain amount of influence here. Different standards do not necessarily mean lower standards, and they do not necessarily mean that the cost of production is lower as a result. I would say yes, we will work together and we have pledged to work together to raise animal welfare standards around the world. I think it is a reasonable thing for us to be doing with like-minded partners like Australia. I expect we would agree to something similar with New Zealand and make sure that our high standards of animal welfare become more influential around the world. I think that is exactly what the British public want us to do—to raise standards of animal welfare worldwide—but using UK influence is very important.

**Chair:** Minister, thank you very much. Geraint Davies, very briefly before we close.

**Q66 Geraint Davies:** We have heard that the Australians grew from virtually nothing to third of the value of the US market. You mentioned that there are a lot of other markets we can grow into. You will be aware that 12% of carbon emissions are from ruminants—from cattle and the like—so it is inconsistent with climate change mitigation to have unlimited growth. Would you agree with the carbon border tax that is being considered by the EU, or do you see the climate change and the meat export conversation as being completely separate?

**Greg Hands:** There is a lot in that question, so let me try to deal with each part quite quickly. On CBAM, the carbon border adjustment mechanism proposed by the EU, we are looking at that very carefully. We need to make sure both that it is WTO compliant and that the database for computing carbon emissions in products is sound. We are not at all sure that it is sound or that that data is yet produced in a way that is robust, but we are actively looking at that and we are concerned about questions around carbon leakage and so on.

In terms of climate change from meat, it is a very good question. The available evidence is that Australian meat production is not done at a greater damage to the environment than others. There is nothing exceptional about Australian production. Generally speaking, only 5% of the emissions caused by meat production are reckoned to be through transport. Obviously, longer distance transport is likely to be higher than 5%, but I hope that gives you an idea of the magnitude here. The transport of the product itself is not a huge part of the carbon footprint of meat production. I would add that it will vary according to distance.



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As I said earlier, the price of lamb from Australia as it reaches the UK is not below UK domestic prices. Again, I do not see any reason for there to be a surge in Australian imports into this country as a result of this free trade agreement and the move to tariff liberalisation.

**Chair:** Minister, thank you very much. I am going to try to squeeze in one more supplementary from our guest, Craig Williams.

Q67 **Craig Williams:** Thank you, Chair. This is on the back of the excellent point that Tonia was making. I presume Tonia's point was about the AHDB and the payments going in there from farmers, but could I just draw the Minister quickly on the role of the NFU more broadly in exports? If you look at our Australian counterpart, their agricultural unions are very involved in the export programmes. Is there a bigger role there? I am not suggesting that we put Minette on a plane and get her out of the country and around the world, but is there a bigger role for the NFU to build that export programme?

**Greg Hands:** That is one of the things that we are looking at in relation to the refreshed export strategy. Getting our farmers actively talking about their brilliant, excellent and high-quality products has to be a win-win for them as well as for the UK. Absolutely, I am wholly in favour of our fantastic farmers, whether in Wales or elsewhere in the UK, being an active part of the trade promotion.

**Chair:** Minister, thank you very much. We really do appreciate the time that you give us. In fact, you have been excellent in all of your appearances in front of us. You have been very generous with your time over the last year or so, so thank you very much for that. We look forward to perhaps continuing the discussion with you into the autumn when a full legal text appears. I think that would be important. My thanks also to colleagues for their contributions this morning. I remind them that we are now going to meet in private for a further discussion. Minister, we will let you get on with your day. Thank you very much.

**Greg Hands:** Thank you all very much indeed.