

# International Trade Committee

## Oral evidence: UK trade negotiations: Agreement with New Zealand, HC 817

Wednesday 24 November 2021

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Members present: Angus Brendan MacNeil (Chair); Mark Garnier; Paul Girvan; Sir Mark Hendrick; Tony Lloyd; Anthony Mangnall; Mark Menzies; Martin Vickers; Mick Whitley

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### Witnesses

I: Rt Hon. Anne-Marie Trevelyan MP, Secretary of State for International Trade, Department for International Trade, and Matthew Davies, UK Chief Negotiator, Department for International Trade.



## Examination of witnesses

Witnesses: Rt Hon. Anne-Marie Trevelyan and Matthew Davies.

**Q1 Chair:** Good morning and welcome to this session in the International Trade Committee inquiry on the UK trade negotiations agreement with New Zealand. Secretary of State, sometimes people like yourself want to make statements before a Committee, and I would just start the clock after that. Are you wanting to make a statement this morning or not?

**Anne-Marie Trevelyan:** I would love to share a couple of thoughts with you, if that is all right?

**Chair:** Okay. Do remember that the hour starts once you finish.

**Anne-Marie Trevelyan:** The AiP reached between the UK and New Zealand on 20 October was the culmination of extensive negotiations, which were launched on 17 June last year. This is the second deal that we have now negotiated from scratch since leaving the EU and, of course, it marks a significant step towards our aim of joining the trans-Pacific partnership—a free trade area with a GDP of almost £8.4 trillion.

New Zealand is one of our closest partners and we have many common ties and similarities in our system, as well as a very strong shared outlook on trade. Both Prime Ministers have heralded the new partnership, which will take on some of the biggest global challenges, from climate change to gender equality, respect for indigenous communities, and the future of digital trade.

The comprehensive trade agreement will create new opportunities for business across all the nations and regions of the UK, which I am sure we will discuss in more detail. It is cutting red tape for our advanced tech and service companies, and making it easier for small businesses, particularly, to break into New Zealand markets, with things like signing contracts digitally and creating opportunities for British businesses to deliver their services through digital trade—leading the way on that, for others to follow. There is a dedicated SME chapter, which I am really proud of and think is important. We also have a groundbreaking environment chapter, reinforcing those Paris agreement commitments and our efforts to meet net zero.

Obviously any new trade deal that we sign across the piece, including this one, includes protections for the agricultural industry, and we have a range of tools to defend British farming against any unfair trading practices. Tariff liberalisation will be staged over time. We just want to make sure that that is very clearly understood. As I set out at the time in the House, once the deal is signed it will be presented to Parliament, and I am sure we will discuss that in more detail, as well as how we will be able to provide robust scrutiny for all of you. That is all. Thank you.

**Q2 Chair:** Thank you very much. That leaves you an hour till 11.30—you



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just beat the clock there before it changed.

Secretary of State, this is the second or the third trade deal that the UK has negotiated. It is 30 times better for the New Zealand economy than it is for the UK economy. Are you happy with that outcome?

**Anne-Marie Trevelyan:** This is a fantastic trade deal on both sides. In terms of liberalisations of goods, it opens up for both sides, which I think is really strong progress. Indeed, as I have said, this was one of our most important allies with which to build those relationships, and those trading relationships, alongside the other ones that we have.

But the agreement is also moving into areas like digital trade, which we will be talking about at the WTO next week—an area where we want to lead, as the UK, in encouraging business globally, and it is great to see that as a key part of our trade.

When you talk about the numbers, I always think, “How do we shift GDP?” Lots of trade deals will help increase existing trade and reduce barriers to entry in lots of areas. But any single trade deal, in and of itself, is not the big number shifter; it is about the tools to help businesses then grow.

So it is difficult, actually, to assess over the long term how it will help, but we are working with existing businesses and creating—in areas like digital in particular—new market areas, so that businesses, with all that creativity in future goods and services we have not yet thought of, will have the opportunity to use those markets to grow their businesses.

**Chair:** You do look happy about it, I have to say.

**Anne-Marie Trevelyan:** I am happy about it.

**Chair:** But the New Zealanders do look 30 times happier.

**Anne-Marie Trevelyan:** What would that look like? There is a drawing in there somewhere.

Q3 **Chair:** You mentioned red tape there, and of course Brexit is all about the massive increase of red tape. Last week, when I spoke to the Prime Minister at the Liaison Committee, he did not know the GDP loss of Brexit versus the GDP gain of this trade deal. Given it is 4.9% or 4% of GDP damage, what is the increase from New Zealand? So for every £400 or £490 lost to the UK economy with Brexit, what is the gain from the trade deal with New Zealand for the UK economy?

**Anne-Marie Trevelyan:** Mr Chairman, I have not done those statistics. I can ask my marvellous chief negotiator. Have you thought about that in that way? Can we help the Chairman with that one?

**Matthew Davies:** No. We will be publishing the impact assessment when we sign, and that is when we will be assessing the GDP impact based on the deal that we have actually negotiated. I know you will be referring to



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the scoping assessment that was published, obviously at the launch of the negotiations—

**Chair:** I was.

**Matthew Davies:** But that was a static assessment based on a series of assumptions. What we will be doing—what we have committed to, as with all our deals—is providing the full impact assessment, which will work out the range of impacts across the UK and New Zealand, based on what is actually in the deal. So that is when we will be able to understand our best-case estimates.

Q4 **Chair:** The numbers the Government provides at the moment are for every £400 or £490 of Brexit costs. A New Zealand trade deal would make back £1, so I look forward to getting those figures when you have them, Mr Davies.

The final point I want to touch on is that this Committee was not given sight of the agreement in principle with New Zealand prior to publication, although at least one news organisation apparently had advance knowledge of the key points. Secretary of State, what commitment can you give about giving us, as opposed to the media, information with good advance notice when future negotiations reach this point?

**Anne-Marie Trevelyan:** As I said on 20 October, the Prime Minister agreed those in-principle main details of the trade deal with Jacinda Ardern, the New Zealand Prime Minister, and we provided copies of the AiP documents to all the relevant Select Committees on the evening of the AiP. We also wrote to all colleagues to update them on the situation.

My mission is always to endeavour to keep Parliament fully updated on negotiations as quickly as possible within the natural constraints that you have with any live negotiations. We do not share until we have crystallised at that point. Pace and timescale can vary.

I think Matt would agree that one of the challenges of working with countries who are on the other side of the world—so the time zones are challenging—is not only the way the negotiators have to work together to make progress, especially as they have done this mostly virtually, but landing public statements, alongside making sure that both countries can share the information at the same time. It had its moments in terms of logistics, but we will continue to do our very best to make sure that the Committees have what they need first.

**Chair:** Thank you. We do indeed understand that time zones can be challenging. I will turn to Anthony Mangnall.

Q5 **Anthony Mangnall:** Thank you, Chair, and thank you, Secretary of State, for being here. Firstly, can I just ask whether the Department might be able to help the Chair by providing historical data about the growth of trade deals—not their initial GDP estimation, but what actually happens in reality, because trade deals, over time, expand and develop,



and more is made? So an initial assessment is not necessarily what you end up with. Anything to help him?

**Chair:** Numbers, please, because they were unaware—

**Anthony Mangnall:** I could not agree more but I am sure we can find the historic data.

**Anne-Marie Trevelyan:** We shall go away and ponder the matter.

Q6 **Anthony Mangnall:** If we have got time at the end of this session I will come back on scrutiny because I do think more needs to be more done on this. I do not think many of us on the Committee are happy with the way in which we are being given advance sight, or any sight, at this point.

However, we are clearly signing trade deals at a prodigious rate. You are saying there are two new ones from scratch. It is great that 70 continuity deals have been signed. What due diligence steps are you taking to make sure that we are getting things right when we are running through them with Australia and New Zealand?

**Anne-Marie Trevelyan:** The challenge as we come back into being free trade dealers in a real sense, beyond the continuity agreements, which clearly were picking up what existed and putting them in a bilateral framework, means that we will be pushing more to do that.

To your point about scrutiny—I was actually talking about this with Matt—there is a really valid question, which a number of you have raised with me privately, and which I would like to discuss, about how we can, as trade negotiations are ongoing, help keep you informed, within an appropriate framework and within the sensitivities that are there, of how it is going. I am discovering that every trade deal is very different in its type. As you are all acutely aware, different countries have different sensitivities. I think we need to make sure we can find a way that we can do that within the safety of the boundaries that a negotiation has. I think you have an important role to play in scrutiny, but also in helping us to develop how we do this. We intend to do many trade deals, and I have half a dozen really big, chunky trade deals on my books for next year, but we have to think about how we become really clear and honed in how we do this. The Australians have a really clear way of doing this; everyone knows how the Australians do trade deals, although we might not choose to follow their methodology in every sense. But getting this right is important, and it is important that we make sure that contact with you, as the most focused and interested parliamentarians in this part of what we do, is something we get right. That is something that, if you are willing, I would like to work with you on so that you can have regular contact with the negotiating teams as we are ploughing through these things. Some will go more quickly than others, so there will be variations there.

Q7 **Anthony Mangnall:** Just to push you on the due diligence point, we do



not want to compromise the quality of the deals that we are doing. We are going at speed and at pace, and many of us, as Members of Parliament, do have to return to our constituencies and justify the trade deals that we are signing, why we are signing and the benefits. As Secretary of State, what is your message about the fact that the due diligence is being committed and that we are making sure these deals are best for British producers, best for our export markets and best for our economy?

**Anne-Marie Trevelyan:** There are a number of things. When a trade deal kicks off, obviously we have the early consultation period. One of the things I want to encourage all colleagues to do with their constituents—exactly to your point—is to really make sure that everyone is engaged in the process. My negotiating teams will draw things together; particularly in terms of CPTPP there was a huge amount of input coming in. It is incredibly important to make sure that we are working to what we know our business communities and our trade bodies consider to be important market opportunities, and indeed to know where the sensitivities are so that we are working to those.

I am very confident and very comfortable that I have an excellent team of negotiators who are completely linked in across Whitehall. If there is an area of sensitivity in particular—I imagine that is what you are referring to in terms of defensive areas of trade deal management—no one should be in any doubt that the Department in question is always very robust in making their case. Across Whitehall, discussions happen on a regular basis between all of us, as Secretaries of State, to make sure that everybody's clear anxieties, and indeed opportunities, are well heard. My team is fully briefed on everybody's issues.

**Chair:** Thank you. Just before I call Paul Girvan, Sir Mark Hendrick wants to come in briefly. Mr Girvan, if he is too long just give him a poke in the elbow.

Q8 **Sir Mark Hendrick:** Secretary of State, it is all very well saying you will keep us informed and keep us up to date with how things are going, and whilst we do not want to get too close into any texts that may be being negotiated, this Committee, as I understand it, did not even see the New Zealand agreement in principle. If we go back to the Australia agreement—the pictures of Boris Johnson shaking hands with Scott Morrison in a pub somewhere—again, we did not see any details. In fact, to this day, I think there are still parts of that agreement that we are not really that well versed on. So how can you get us more closely involved, particularly at an early stage, but also throughout the process, whether it be through consultation or engagement, rather than this being you just letting us know what is going on?

**Anne-Marie Trevelyan:** Australia was our first, if you like, agreement in principle, which is, effectively, the broad-brush areas of agreement within each chapter—where we were going to agree to land. A lot of the legal text—all 2,600 pages of it in Australia's case—has been done, in large



part, following the agreement in principle. Those early negotiations in the broader areas were done, and the legal text has followed. In the case of New Zealand—Matt can talk to it in more detail—we have been able to get a lot of that legal text done before because we have worked out how we are doing that and what it looks like, so—

**Q9** **Sir Mark Hendrick:** understand that but it is not the nitty-gritty I am talking about. It is the agreement in principle, through which we can see the direction in which the Government is headed, rather than pages and pages of legal texts that we are not wanting to scrutinise just yet.

**Anne-Marie Trevelyan:** Clearly, the legal text is effectively the commercial document—that is how I think about it as someone who worked in the City for a long time. As with the Health Department negotiating a contract, or anything else, that is done under the appropriate level of sensitivity. The agreement in principle is how we have drawn together the steps of progress for Australia and New Zealand, because it has worked for both parties. It could be that, going in, we know where we want to land and they come in with their negotiation tactics. We then work it all through, we land and we come out at the end having pulled it all together. There is no formal set of rules and regulations. We have chosen for Australia—and indeed New Zealand—to negotiate the big picture stuff first and then work out the complicated legal text afterwards.

**Q10** **Sir Mark Hendrick:** I am not talking about process. I am on about the Committee seeing some text.

**Anne-Marie Trevelyan:** That is exactly to my point; it could be either way. In these two, we have negotiated to a point of the AiP, which we have then shared publicly, with the opportunity for everyone to discuss it. Then, the detail—or the grit, if you like—of the document required, which will become the legal body of text, is being worked on to follow through. But that, as I say, is effectively a market-sensitive document which, like any contract, is done by Government behind the scenes until it is published. We have chosen to do an AiP in the case of these two as a sort of halfway landing point, which we can then share in order to give clarity and indeed more transparency for everyone to see the direction of travel. But the minutiae of the detail will be done as with all texts.

**Q11** **Paul Girvan:** The NFU have commented on the agreement in principle: “It’s hard to see how this deal will provide any direct benefits for UK farmers.” How accurate is that statement?

**Anne-Marie Trevelyan:** I think this is great for farmers and I think it is a fantastic deal. It is removing tariffs on all UK food and drink exports, from gin and chocolates to pork and wine. There is a great range of liberalisation on all of those. As I have mentioned already, we will include protections for our agricultural industry where there are sensitivities, and a range of tools to defend British farming against any kind of unfair trading practices that could lurk. Things like tariff liberalisation on



sensitive goods, like beef and lamb, will be staged over time. That creates a level of protections, which is quite common, whatever a country's particular sensitivities are. So I am very comfortable that it is a good deal.

**Q12 Paul Girvan:** I appreciate the NFU are representing their industry in totality, and on the agreement in principle, without any flesh being put on the bones, they have made this interpretation. What engagement is there going to be with the likes of the NFU in relation to the further detail? From what you have said I understand that more detail will be added in the minutia of the negotiations that go forward. If that is the case, what engagement is there going to be with the NFU to ensure that they get their message across and that they get that recognition? I represent an area which is highly dependent upon our agrifood industry and the quality of the product that we produce for a world market, so how will we ensure that that message goes out there and that we are getting a good bang for our buck in relation to any deal that comes forward with New Zealand?

**Anne-Marie Trevelyan:** The NFU and I meet regularly. As I said, the mandate for any negotiation that we conduct from DIT is set and drawn together from all Departments. DEFRA's voice is very powerful in all of this and their experts are part of the team. Matt, you might want to add to that. The mandate that is set is very clearly agreed to by DEFRA; obviously they are there championing the anxieties that some farming groups hold, and that is very clearly set out. We have a fixed mandate within which we can work, and we cannot go outside that. That is the process, if you like, Paul, and that ensures that DEFRA's very clear anxieties are always front and foremost. Matt, do you want to cover how that works in practice?

**Matthew Davies:** We very much run a team across Government and DEFRA officials are very much part of the negotiating team, so they provide a direct voice for all their representative groups.

The other thing I would say is that the NFU is very well represented—and also other farming and agricultural interest bodies—across our trade advisory groups. At a negotiating level and in our specific policy areas, that is the regular way in which we engage with them to keep calibrating the range of interest from all businesses and industries. For example, I met with what we call our Agri TAG—the Agricultural Trade Advisory Group—the day after AiP, and had an opportunity to talk through the AiP document and hear directly from all the groups represented there, which includes not only the NFU but wine and spirits organisations etc. We try and interweave them into the ongoing process.

**Paul Girvan:** I understand the process. George Eustice was attending a couple of our Joint Committee meetings in relation to this matter, highlighting the plight of our agri-industry and ensuring that their voice was being heard and that they were being considered in all negotiations. I take on board what has been said; I just hope and pray that whenever we see the finer detail—I have to go back to what Mark said earlier—we



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need to see more flesh on the bones of what agreements we already have. Yes, the Australia deal is there, but we do not know the full detail, and that is part of the issue. We do need to see that and to be given an opportunity to scrutinise it. Thank you very much indeed.

**Q13 Anthony Mangnall:** Very briefly, there are reports that the reason we have not seen the finer text on the Australia agreement is that we are trying to backtrack over the tariffs around meat—that we are now quibbling whether it is actually carcase weight versus the produce that is trying to be exported, and that DEFRA did not get its way the first time and is now rearing its head and saying it is putting its foot down. Would the Secretary of State like to comment on that?

**Anne-Marie Trevelyan:** No, we are not rolling back or anything. With Australia we are further along the process to the final completion of the legal text. As I said, we negotiated a broad-brush picture first with Australia, moving to the AiP and then the legal text, whereas we have been doing the legal text from earlier on with New Zealand, but they have landed almost at the same point. So, the AiP was done earlier for Australia, but without as much of the detail. The New Zealand AiP is only just out, but with a lot of the chapter legal texts, which are clearly not that dissimilar to Australia's. We have done more of the paperwork, if that is the right way to describe it. They are probably going to land at the final point very close together, but the AiPs have popped up on the journey in a different place. We are in the final throes of that; it is the slightly painful process of getting all those details and legal texts. At that point, each Department is then—to Matt's point—making sure that things fit in with our legislative requirements and indeed thinking about what we might have to bring on board as well if there are things presently missing in our legislative environment.

**Q14 Chair:** Before I come to Tony Lloyd I want to pick up from Paul Girvan. One Mr. Edwin Poots—the Northern Ireland Minister for Agriculture, Environment and Rural Affairs—noted that “tariff-free access to the UK market for New Zealand farmers produce is a very serious threat to our farmers”—meaning Northern Ireland's farmers. The Government has also noted that “in Northern Ireland, output may decrease relative to the baseline”—in other words, it will negatively affect GDP, and I was on about the numbers earlier. Are you concerned about the effects of this trade deal and the damage to Northern Ireland's economy as a result?

**Anne-Marie Trevelyan:** No, because I think many of their products will have the benefit of seeing that liberalising, and reduction to zero, of tariffs across a number of agriproducts and therefore—

**Q15 Chair:** Even your own figures came out as damaging to the Northern Ireland economy, and you are unconcerned?

**Anne-Marie Trevelyan:** We come back to the point that Matt made, which is that work on the scoping document is early on. We want to make



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sure we get to the full and final deal, and then we will be able to do the impact assessment.

Q16 **Chair:** So are your figures to be trusted at the moment?

**Anne-Marie Trevelyan:** They are the starting point, without the full detail of the deal, because it had not been fully negotiated at that point. But I think the key point is—

Q17 **Chair:** It sounds to me like you do not have much trust in the figures.

**Anne-Marie Trevelyan:** I have trust in the figures, in as much as they were a snapshot in time.

Q18 **Chair:** And the damage to Northern Ireland?

**Anne-Marie Trevelyan:** The really important thing, and we are still quite new to this, actually, as a country, is thinking about how we use these amazing pieces of paper—free trade agreements—to help rocket-boost our opportunities for exports for all our farmers and for all our producers of all sorts of services and goods. That is the point of them, and one of the really important tools that we have just launched, through our export strategy last week, is providing export support to help businesses not only to grow if they are already exporters but to look to new markets and find ways to export.

In that way we can maximise the use of what are, in the case of New Zealand for instance, the opportunities to have liberalised zero tariffs on a huge range of goods and services. That opportunity was not there before, because there were tariffs on any number of things, but particularly things like machinery and equipment, for instance, from Northern Ireland. The opportunity to see those tariffs removed will mean that producers have new markets with better market share and indeed the opportunity to make more profit.

There is a whole series of things, in terms of not only the present situation, now, but actually thinking ahead, and it is for us, as DIT, to help provide that support. There is a huge piece of work going on with the team to really focus on using our trade commissioners around the world to help our businesses to think about exporting if they do not already, or about exporting more if they do already, to make sure that they maximise what is, in itself, only a framework for people to use.

**Chair:** You say new; some might say inexperienced. I say, Tony Lloyd, you can speak.

Q19 **Tony Lloyd:** If I may just continue this theme slightly, Northern Ireland is not the only part of the United Kingdom which is very dependent on agriculture. Whilst I take the point about the balance of a trade deal—you win some, you lose some—the danger that has been put by a number of people across different parts of the UK is that New Zealand, at the moment, exports considerably to China, along with Australia, so were the



Chinese market, for political reasons, to falter, we may well see a huge increase in the volumes of animal products coming into the UK, which would, particularly if the Chinese then turned on their trade, potentially hollow out the farming industry in Northern Ireland and other parts of the country. How would you respond to those legitimate concerns? Are they real or not?

**Anne-Marie Trevelyan:** It is a legitimate anxiety that people hold, and I hear that. Let us look at sheep meat. The reality is New Zealand has a huge quota already under the WTO that it could be using in the UK, and it does not because it chooses to get better prices selling into Asian markets. I think the likelihood of those markets disappearing overnight is very small because their need for greater quantities of protein, given they have the fastest growing population numbers and indeed rising middle classes, means that there will be a continuing growing market for New Zealand and Australian, and indeed our, farmers, to make use of in the years ahead.

But, to my point, and Matt can perhaps give you the detail, the point about making sure that we stage in the frameworks around beef and other meat so that we can ensure that unfair trading practices, or what you might call a surge, cannot happen is being built in because of exactly that point—in order to reassure, as much as anything else.

**Matthew Davies:** That is absolutely right. One of the things we have agreed is that any additional goods market access will be subject to a bilateral safeguard. It provides that protection—exactly as the Secretary of State said—that if there is either serious injury or risk of serious injury to a particular sector, we can enact the safeguard and provide that kind of protection. As part of the AiP, we have agreed that that will apply to all products and also that we can apply it on a provisional basis. So if we are getting information that it feels like there is a risk of injury, we will be able to apply the safeguard pursuant to the investigation. Over and above all the points that the Secretary of State made, we have that additional protection measure.

Q20 **Tony Lloyd:** Thanks. If I can move on slightly, one of the promises that was made through the Brexit process was that there would be no threat to what we perceive as our very high animal welfare standards. That matter is linked to our farming industry; it also matters, of course, to the consumer who wants to buy products that they regard as being ethically produced. We know that during the fourth round of the negotiations, New Zealand indicated that “the UK’s...proposed linkage between tariff liberalisation and animal welfare provisions” was problematic. So the question is obviously, has that been resolved, but in what way has it been resolved? If it was problematic for New Zealand, have we conceded anything on animal welfare standards?

**Anne-Marie Trevelyan:** I completely agree with you, Tony: maintaining our high standards is absolutely a red line for us in all of our trade agreements. We are not going to compromise on our high environmental



standards at all, or indeed on our animal welfare or food standards, including in the deal that we are going to finalise with New Zealand. But New Zealand is a global leader in animal welfare, and I think we both genuinely share a commitment to further improving. We certainly are here, and they are demonstrating that as well and advancing already high animal welfare standards, so—

**Q21 Tony Lloyd:** Can I be rude though? Why did they find the provisions problematic, in that case?

**Anne-Marie Trevelyan:** I cannot speak to that, Tony, because I do not know where that quote comes from. I am also now in post at a point where this is not a problematic situation. This is something that we both agree is really important. Both our countries have, for instance, banned sow stalls for pork production. We have had battery cages for chickens banned since 2011, I think. Matt, is it 2011, 2012? It is something like that.

**Matthew Davies:** 2012.

**Anne-Marie Trevelyan:** Thank you. The New Zealanders are bringing that in from next year. I think they are giving a very clear demonstration on this, and we have already set out a world-leading position. Moving forward together on this is very much the plan. It is good that we both rank highly. I know that the New Zealand Prime Minister has often spoken on this subject, so I am very comfortable that we are moving together in an effective way there.

**Chair:** Thank you. Another colleague now—Mark Menzies.

**Q22 Mark Menzies:** Thank you, Chair. Secretary of State, as we have already heard this morning there are varying degrees of unease amongst the devolved nations as to what impact the potential increase in beef imports from New Zealand could have within those parts of the UK. What modelling has been done to determine the impact of liberalising beef imports across those constituent parts of the UK?

**Anne-Marie Trevelyan:** To Matt's point in terms of security, we are building in these safeguards in case there are unfair trading practice surges. If you look at beef, we import a great deal more beef from the EU than we do from New Zealand, which is all at zero-tariff and zero-quota. Any increased exports from New Zealand—to the point that Tony made about a shift away from other markets they might want to use for their sales—would be likely to displace those imports rather than hurt UK farmers. The deal is going to provide New Zealand, effectively, with no better access, if you like, than the EU currently enjoys, but on a sliding scale. It is over quite a long period anyway in terms of the changes to where our beef imports might come from. If you look at the percentage, I think we import just over 300,000 tonnes of beef at the moment as a country, of which 98% comes from the EU, and I think 78% of that is from Ireland. I think what we are looking at here is a potential



displacement issue, but we will also be building in a very clear framework of safeguards and a slow transition to increasing those numbers.

**Q23 Mark Menzies:** Sticking with the idea of doing modelling to look at the impact a trade deal, in this case with New Zealand, has on devolved nations, have we also looked at any potential upsides? For example, in terms of the meat-processing industries, or processed products as opposed to the primary product, has any analysis been done? I think it would be quite good for devolved nations—I am thinking, in this case, particularly Northern Ireland because of concerns raised earlier—if we could have a clear picture as to the pluses and the minuses of a trade deal like this.

**Matthew Davies:** Again, this comes back to the fact that our full impact assessment will be something we can publish at signature. I guess there is this ongoing tension, in that you can really only do that once you have the full detail fully worked out and all the legal text, and that is where we will be able to present both sides. Clearly, the balance of the agreement does depend on shifts and changes in a range of markets. Some of the opportunities for the UK are in other sectors as well—so opening up the services sectors and digital sectors, and changing the intellectual property regime in New Zealand, which is something that they are agreeing to do for us and they have never done for anyone else. So there are there are benefits there which we will be able to quantify.

Some of the opportunities—particularly for farmers and agriculture—are about how we are stepping in and securing another foothold into the Indo-Pacific region, which is a huge, growing region. We will be doing that directly—this is supported in New Zealand, and the AiP is supporting this—through our CPTPP accession process, but just increasing that market presence in somewhere like New Zealand is also a foothold into that wider market.

Those are the kind of opportunities. We know the New Zealand import market is going to grow quite considerably. We know that the meat export market into Asia is going to grow considerably over the next 20 years or so. That is the kind of thing that, when we have the full detail of the impact assessment, we will be able to put some metrics around.

**Mark Menzies:** Thank you.

**Chair:** Thank you very much. I suppose the term “humble crofter” is one that is overused a little in Parliament at times.

**Mark Garnier:** Or investment banking crofter.

**Q24 Chair:** Indeed, if you can combine it with such roles. NFU Scotland—I am not a member, but I am a crofter—say that 25% of UK sheep meat production would be under threat from a proposed agreement with Australia—not New Zealand, Australia. An agreement with New Zealand would compound this. I know you are going to plough on with a trade



deal that is 30 times better for New Zealand etc, etc, but how much thought is given to the combined effect, or is Government just, as many suspect, basically working in siloes—one negotiator doing New Zealand, one negotiator doing Australia, and a sausage factory to get this done and get it through Parliament, so you can rub your hands, wave it through the *Daily Mail* and then go on and do the next trade agreement? I can see you smiling but you know the points I am making.

**Anne-Marie Trevelyan:** It is not quite the image I have of how this is going. No, not at all, because, as I say, this is very much a cross-Whitehall activity. We are the experts and the deliverers of the free trade deal. But to your challenge that there is an anxiety that the Scottish sheep farmers particularly would feel threatened—

**Chair:** And Welsh.

**Anne-Marie Trevelyan:** And Welsh, if you like. DEFRA looks across the piece and their experts are part of Matt's team. We are looking holistically, so we are also—as we do in all these deals—looking to create many new export markets for our agrifoods. This includes our sheep and beef farmers in due course and—as Matt has mentioned already—the opportunity to accede to CPTPP, which we hope to do next year. That will afford the opportunity for many new export markets, including the ones I mentioned earlier to Tony—the Asian markets with a growing middle class who want a greater quantity of proteins in their diet, with huge opportunities for us to move some of our agrimarkets into those markets.

In terms of the New Zealand trade, as I say, they have a big WTO quota at the moment which they do not use with us anyway, so in and of itself this particular trade deal is not in any sense something that should cause great anxiety, because they have tariff-free quota which they do not use here, because they focus towards those Asia-Pacific markets.

Q25 **Chair:** We have to think of all eventualities. We have had the experience of the crash of 2008, the pandemic and Brexit. Things change and things vary. There might be a shock at some point—something between the New Zealand/Australian economy and China. There is a danger you might have given them a parachute market, in that if something happens, there is some raucous and some caucus, or whatever, to quote the great Peppa Pig. But if something happens, is there any mechanism that you can put in place to stop that shock rippling and really damaging agriculture in the UK? If cheap, cheap meat is suddenly coming in from Australia and New Zealand, do you have any ability to go, "No, this is not coming in for a couple of years to destroy farming in the UK?" We know that if farming is destroyed it is not coming back.

**Anne-Marie Trevelyan:** Absolutely. Matt, do you want to explain it in more detail perhaps?

**Matthew Davies:** That is exactly what the bilateral safeguard mechanism that we have agreed will be part of the agreement will do. It



would apply for a specified duration, particularly whilst we are liberalising products, and it allows both parties, but in this case us, to look and see if there is serious injury or risk of serious injury to a specific sector. There is a range of factors you could look to in determining that injury, but price impacts would certainly be one. In that case, it would allow us to act to protect those markets. That is something we have agreed. It is in the AiP document and will apply to all goods, including those under tariff rate quota, and some we have agreed we can provisionally apply as well. That is probably the main safeguard, along with the fact that, as the Secretary of State said, the phasing-in of the elimination of tariffs, and the liberalisation of sensitive meat products particularly, is happening over a long period—10, 15 years from entering into force.

**Q26 Chair:** If the experiment that is Brexit—an experiment with surrealism, some people might think of it as—continues, will you still have those safeguards in 20 years' time, or is that just in the phasing-in period? Do you have it in 50 years' time? Assuming that nothing else changes—that the UK stays in this situation and this agreement with New Zealand is in place—and that the shock comes in with the Chinese market in 38 years' time and New Zealand and Australia meat is about to swamp us, do you have those safeguards then?

**Matthew Davies:** So, no. Commonly, safeguards like this last for a period. They're otherwise known as transitional safeguards. They generally last for a period beyond your elimination of tariffs. These are the details we are starting to work through. But you also have to look at this alongside the other safeguard mechanisms we have. There is a kind of global safeguard. This is separate to bilateral agreements. If we are in a world where there are such significant shocks to the global economy that the whole system is changing then, of course, we have the option of global safeguards and the operation of the Trade Remedies Authority to think about how we are protecting whole industries. In 50 years' time, when, to be honest, it is quite hard to conceive exactly how the meat markets or the world markets will be at that time—

**Chair:** Which is why you might want to have a safeguard.

**Matthew Davies:** There will be a whole range of different things we will need to take into account, but that is where global safeguard mechanisms will then also have an application.

**Q27 Chair:** Prices came up when we talked about serious injury. How exactly is serious injury to be assessed before you would trigger that in the period that you can trigger it?

**Matthew Davies:** There are a range of different models as to how safeguards are assessed and injury investigations. Obviously, in terms of the global safeguard and the role of the Trade Remedies Authority, we put out some detail on that. In a bilateral setting, again, this is one of the things where—Anne has worked through some of the details—you embed within the FTA itself exactly how we will take forward those



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investigations. We are some of the way through that legal working through but this is one of the things where we need to continue to work on the detail over the next few months.

**Chair:** Thank you. It gives me great pleasure to turn to Mark Garnier at this stage.

Q28 **Mark Garnier:** Thank very much. Before I get my main question, can I just follow up on this global safeguards piece? Everybody is worried about dumping coming into the UK and the quota being used up, but what happens the other way around? Let us say we have foot and mouth disease, or we have some other problem with other imports coming into this country, and we have a deficit of food available in the UK. Do we need to have that large quota to be able to bring in cheap food if needed or can we use global safeguards to cut our tariffs because we want to keep things cheap for the consumer during a time of crisis? How would that work?

**Matthew Davies:** I do not think the safeguard would interact with the tariff mechanism in that way. I am not an expert in this area, but I believe we would have separate powers to manage tariffs. I suppose this goes to a broader point, though, and it is a point that is as true for New Zealand farmers as it is for UK farmers. Through bilateral agreements we are trying to open up—liberalise—markets all over the world in as many scenarios as possible and to provide those avenues of diversification that will be as true for us as they will for other farmers as well. This is why we believe that liberalisation is a good thing and is a good force, because it provides unencumbered trade, with that range of opportunities for markets to deal with different situations.

Q29 **Mark Garnier:** What I did want to concentrate on is services, but before I get into that, as the lead trade negotiator, you are obviously trading off one thing against another in any negotiation. We are an economy which is dominated by services, particularly financial services, and we would obviously like to get access for those services in every country we can. To what extent do you have to trade off other areas to get that access, and how successful have you been? Just to put the question very directly, to what extent have farmers been—I do not necessarily agree with all this—arguably compromised by having these large tariff-free quotas coming into the UK in order to get access for UK financial services and other services into New Zealand?

**Anne-Marie Trevelyan:** When we pull together the mandate for the negotiating team to work with, that is agreed across Whitehall. I can tell you with certainty that every Department is very clear on what their red lines are. The negotiating team have some very clear areas into which they are not able to go—to your point about flexing. We are negotiating this deal where there will be some bits of our economy where there is an urgent desire to have more liberalisation and opportunity for more exports or, indeed, in a complementarity way, for us to find ways to bring more goods and services in, and that is very much set out. But there are



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always very clear red lines, and DEFRA's team are a great advocate for making sure that—to Matt's point about how we are doing with the sensitivities around beef and sheep meat and about how this is a slow, stepped process—there is not disruption.

**Q30 Mark Garnier:** It is immensely complicated how you set these red lines. Ultimately, we are not an agrarian economy; we are a service-based economy. In order for this to be good for our economy—I am slightly playing devil's advocate here—we need to export more services. Were it not for services, we would have an even bigger deficit with the European Union. DEFRA, by its nature, stands up for farmers—it does it very well—but that could be argued by a lot of other people to be very protectionist and actually not so much in the interests of consumers because it reduces the ability to get consumer choice into our supermarkets and all the rest of it. Prices are consequently higher than they would otherwise have been were we importing this hypothetical chlorinated chicken more cheaply. There are a lot of very confrontational dynamics going on with these Departments. Ultimately BEIS would be liking to export more services and other stuff, and DEFRA, equally, but at a protectionist level. How do you bring all those together? Ultimately, DEFRA's starting red line could be no imports at all?

**Anne-Marie Trevelyan:** To the Chair's point, this is not single deals in isolation, though clearly they land and we discuss each one as they come. We are looking to do a number of very large trade deals with growing markets, and DEFRA is the greatest advocate of CPTPP precisely for that reason. It is on my schedule for 2022 precisely because it opens huge opportunities for all agrimarkets to find a new home. We want those markets to be as liberalised as possible so that our farmers and producers can make use of those. I would not say DEFRA is protectionist. DEFRA is looking in the round but, clearly, as these things appear in our journey to having our new free trade deals, where we can set this much more liberalising position, this has to happen in individual style.

**Q31 Mark Garnier:** The loudest voice in this whole debate, though, is the NFU.

**Anne-Marie Trevelyan:** Yes.

**Mark Garnier:** The NFU keep making these points, and it is very, very loud. They are going on about animal welfare. All of these are very good things—do not get me wrong; I do not disagree with them.

**Anne-Marie Trevelyan:** We are very clear on those, for instance.

**Mark Garnier:** Absolutely right. But at the end of the day, the fundamental point is that this position pushes up prices of food and reduces consumer choice—necessarily, because, ultimately, you could have got cheaper food in. That is where one of those ultimate problems lies. The other is, how do we get greater access for those things which we are sophisticated in—services, high-tech engineering and that kind of



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stuff—and what do we have to trade off? Crawford Falconer is a New Zealander and one of the world’s greatest trade negotiators.

**Anne-Marie Trevelyan:** He works for us, not them—let us be clear.

**Mark Garnier:** No, he is absolutely not compromised, but if I may use slightly fruity language in your Committee, Chairman, he did once say that, the only good trade deal is when each side is equally pissed off. What I am really interested in is which bit of our trade deal—

**Chair:** He is a success then, is he?

**Mark Garnier:** It is a very fair point. Ultimately, you are ceding things, so what is the bit of our trade deal that we have ceded in order to get what we want? What is annoying us? What is the bad bit?

**Anne-Marie Trevelyan:** To your point about services, I disagree with you in the way you have set it out—it is not like that. This is a very broad and deep FTA, but there are others that are much less so, for that reason. But to the point about services—

**Chair:** With respect, he is not looking for the sales pitch. He is looking for the downside.

**Anne-Marie Trevelyan:** In terms of the services for this one—exactly to your point—we are, indeed, a very successful services industry and, indeed, the second largest services exporter in the world already. I have set ourselves the challenge of trying to overtake the US, which is a big challenge but one we should still take.

**Mark Garnier:** A worthy challenge.

**Anne-Marie Trevelyan:** Yes. We have agreed within this particular New Zealand deal a really ambitious professional business services and recognition of professional qualifications annexe. It goes well beyond anything that New Zealand has ever done with anybody else and it matches the ambition that we have achieved with our Australia deal.

Q32 **Mark Garnier:** But the downside is what?

**Anne-Marie Trevelyan:** There is no downside there. This is a big reach and they are wanting to move forward and be part of that expertise.

Q33 **Mark Garnier:** We have conceded nothing at all in order to get this great deal?

**Chair:** There are no losers.

**Sir Mark Hendrick:** It is a win-win.

**Anne-Marie Trevelyan:** It is not about conceding; it is about liberalising across the piece because we are two countries.

Q34 **Chair:** Is Edwin Poots in Northern Ireland just imagining things? I am



sorry for butting in there, Mr Garnier.

**Mark Garnier:** No, You can steal my question as much as you like.

**Anne-Marie Trevelyan:** I think the point is, to the point Matt made earlier, that until all the t's are crossed and the i's dotted, all the detailed legal text is there, and all the safeguards are clear for those areas of sensitivity that you are highlighting, there will be anxiety. I absolutely understand that. But the nature of any negotiation means that going beyond the overarching picture that the AiP has afforded on this journey is not appropriate, in the way that anyone doing contracting would not discuss it in the open environment. So that continues.

But I am very comfortable that this, alongside Australia and all those deals that we know are coming, is going to be providing really extensive new opportunities and markets for all our sectors. Different countries want to move at different paces across the piece. That is normal and to be expected. Now that we are able to do so, we want to drive forwards hard and fast in pushing for liberalisation and more opportunities to share our expertise and, indeed, for our citizens to have the opportunity to enjoy goods and services from the countries we want to trade with.

**Mark Garnier:** I could go on for hours, but I am mindful of time.

**Chair:** Yes, I think we are all mindful of time. Mr Mick Whitley.

Q35 **Mick Whitley:** Thank you, Chair. Secretary of State, Which? says, "The UK regime for data protection and privacy currently provides an internationally recognised high standard of protection which must not be put at risk" in trade negotiations. How will the agreement with New Zealand safeguard UK data protection and privacy standards?

**Anne-Marie Trevelyan:** Thank you, Mick. In this trade deal we have agreed a really world-leading chapter on digital trade, which includes some of the most liberalising and, indeed, modern provisions of any FTAs globally at all. We are both countries who are really pioneering digital trade and can really benefit from that deep co-operation that we can have with each other. The chapter has a number of provisions to support that co-operation and also to drive innovation and support emerging technologies as they move forward. We want to make sure that we give all our citizens—and indeed theirs—a real confidence that we are going to be working together as two nations to ensure that barriers that have existed or could exist really will be reduced so that digital trade and the framework that sits around it is as modern and forward thinking as it can be.

**Mick Whitley:** Thank you, Chair.

**Chair:** Thank you very much. Sir Mark Hendrick?

Q36 **Sir Mark Hendrick:** Secretary of State, the agreement in principle includes "an ambitious chapter that will support both governments' trade



and environment agendas and responses to the urgent threat of climate change." What work has been done to estimate the climate impacts of increased trade over such a large distance? We all know about food miles and the fact that we are trying to join the CPTPP thousands of miles away when it looks like we are going to rip up the TCA more locally if the Government implements article 16. This is going to be negative in terms of climate change. Surely, trading foodstuffs over such large distances, when we have neighbours we are doing our best to upset to affect trade, cannot be right?

**Anne-Marie Trevelyan:** You are exactly right, Sir Mark: the environment chapter is going to include some really ambitious commitments which are supporting that transition that we are all wanting to make to clean energy—commitments to end electricity generation from unabated coal, fossil fuels, and those fossil fuel subsidies—and a really ambitious phase-down of the hydrofluorocarbons. Both parties are leading. Interestingly, post-COP26, we have seen that ambition raised in other countries as well, which is really exciting. Speaking as someone who has been deeply involved in the COP26 process, we have seen much more ambition come forwards. New Zealand was already showing ambition, but I think we are demonstrating here how that commitment between like-minded countries can be used in a practical and effective way.

In this chapter, we have a whole series of environmental and trade issues that we have highlighted, including things from air quality to marine litter, and protecting our environment—that wider piece as well. To your point about trade and emissions particularly, trade involves moving things around, whether that is digitally—if it is services and data—or, indeed, physically. I put carbon budget 6 into law in June this year when I was the Energy Minister, and it included air and shipping emissions in our data because I was very clear that it needed to—there were quite a lot of detractors who were anxious about that. As a country we have taken a commitment to say we are going to count those. The argument about international shipping made by some was, "Well, you can count the amount of fuel that you are putting in your ships when they turn up at Felixstowe"—which is what we had been doing—"But most countries are still not saying, 'We accept that our ships or our trade should have that.'" We have included that. Really importantly that is—

**Chair:** I am just conscious of time, Secretary of State.

**Anne-Marie Trevelyan:** Of course. That is led by the DFT. I would suggest you get the Secretary of State for Transport, because he is very passionate about leading the way and helping that decarbonisation in shipping, working through a number of research and development programmes and, indeed, with industry. We are not going to stop moving around; what we need to do is move around with clean energy.

Q37 **Sir Mark Hendrick:** Not just clean energy; we need less moving around. My point is—I am sure you are aware of it—that if you have to send a



ship full of lamb all the way from New Zealand to the UK, that is going to use a lot more carbon than sending lamb from France or from another part of the UK. Why do we want to do it?

**Anne-Marie Trevelyan:** I do not have the figures at my fingertips, but there has been some quite interesting work done looking at the relative impacts. Of course, transport and volumes mean that the transport costs at an individual level are very low. The key for me is that transport should become clean. When we talk about food miles, the issue has been the creation of dirty emissions that were part of the problem. Clean energy, use of renewables and all that means that the trade and activity in goods and services that we want to share between us becomes possible cleanly. That is very much our mission.

Q38 **Sir Mark Hendrick:** Are you saying ship engines are going to become that much more efficient that they are not going to emit carbon?

**Anne-Marie Trevelyan:** They are going to change the way they use their fuel so they will not emit carbon. Absolutely. That is the work that is ongoing at the moment.

**Chair:** Thank you. Remember we must keep things a bit more brief. Anthony Mangnall?

Q39 **Anthony Mangnall:** Two things: it is striking that we have got this far through the session and we have not really spent much of it discussing export and the value of where we can export for farmers. The provisions under the AiP have said a great deal on climate change. Have you got any intention of mirroring what is in the ACCTS or, indeed, signing up to it?

**Anne-Marie Trevelyan:** It is an issue that I have discussed briefly with some of our partners. I think we are including in our own bilateral trade deals those areas that they want to cover. We do not have any intention to sign up at the moment. That continues to be something we discuss with those who are, but we intend to include all those key issues that they are including in their issues within how we do our bilateral trade deals anyway.

**Chair:** Thank you. It is a pleasure to turn to Martin Vickers.

Q40 **Martin Vickers:** Thank you, Chair. Secretary of State, I understand that in respect of the agreement in principle with New Zealand you said that it “adds momentum” to our application to CPTPP. Could you explain how a single trade agreement with one member of CPTPP strengthens our negotiating position?

**Anne-Marie Trevelyan:** There are 11 partners and we have varying levels of trading relationship and closeness in terms of FTAs and so on with them. If and when—I hope soon—we accede to CPTPP there is a whole series of legislative frameworks that have to be agreed, which is the process we are going through. Also, where you already have a



bilateral arrangement with a country, that makes it much easier for them to say, “Well, we already know this country”—she says in a simplified way—“We have a great relationship, so we have no anxieties that we are bringing a country into the CPTPP family that would not have all the right perspectives and the same framework on free and fair trade that the CPTPP is very focused on.” It provides that demonstration and, indeed, that close bilateral relationship already with one country, and there is Australia as well, for that same reason.

**Q41** **Martin Vickers:** Could some clause in CPTPP not be in conflict with an agreement that we have with New Zealand or whoever? How will you handle that situation?

**Anne-Marie Trevelyan:** Matt, are you any good on the technical detail?

**Matthew Davies:** I do not think, generally, there will be conflict. I think there may be differentiation between some of the provisions. Generally speaking, because CPTPP is a group of more countries, they will have to find the landing zone between all of them. What we have been able to do in our bilateral with New Zealand is be more ambitious across a number of provisions. For example, there is a financial services chapter in CPTPP. We will have a financial services chapter in the New Zealand FTA. As one of our key export interests, and one of the key interests of the UK, it will be more ambitious and cover more ground than that in CPTPP. It will not conflict as such, but bilaterally it will be of benefit in terms of more ambitious and farther-reaching provisions in that area. That will be true across a number of the areas.

One of the other things—coming back to market access—that we have agreed as part of this process is that New Zealand will not seek additional goods market access as part of our CPTPP accession process. So that is protecting ourselves against one of the potential areas of conflict or tension.

**Martin Vickers:** Looking at the clock, I had better hand back to you, Chairman.

**Chair:** Yes, thank you very much. Secretary of State, just before we end—I am pleased you volunteered the Secretary of State for Transport to the Committee as well—

**Anne-Marie Trevelyan:** He will be thrilled, I know.

**Q42** **Chair:** He will be thrilled, and I hope he will follow up your kind offer.

The agreement in principle is a political stage not necessarily recognised by the other side. Key elements were negotiated after the agreement in principle as well. It just gives the veneer of the politics and the showbiz of the trade deal. This is not a normal stage in trade deals so why has the UK Government been so keen to have this agreement-in-principle pizzazz around the trade agreements its done?



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**Anne-Marie Trevelyan:** It has been an opportunity—because we are back in the market for free trade deals, if you like, for the first time as an independent sovereign trading nation—for the countries who have been first in the queue and are proud so to be to demonstrate to their citizens and their businesses that great progress has been made. Indeed, it is also about setting out, if you like, the framework of the ambition across the piece so that everyone can see where it is going, and then, as you say, the detail of the legal text is being ploughed through by the team.

Q43 **Chair:** Thank you. I am conscious we are coming up to 11.30. Finally, I know that other countries mostly do not do this agreement in principle very often in their trade agreements. On CPTPP how concerned are you about the effects this might have on the patent attorneys of the UK?

**Anne-Marie Trevelyan:** Can we write to you?

**Chair:** Okay. You can come back to us on that. I am sure patent attorneys will be noting that response.

Thank you very much, Secretary of State, for being here. We did say we would finish at 11.30. We are on 11.29. I thank the Committee for their diligence to the clock and hope to see you soon. Thank you for coming this morning.