

International Agreements Committee

Corrected oral evidence: UK-Australia trade negotiations

Thursday 13 January 2022

11 am

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Members present: Baroness Hayter of Kentish Town (The Chair); Lord Gold; Lord Kerr of Kinlochard; Lord Lansley; Baroness Liddell of Coatdyke; Lord Morris of Aberavon; Lord Oates; Lord Razzall; The Earl of Sandwich; Lord Watts.

Evidence Session No. 3

Virtual Proceeding

Questions 52 - 65

Witnesses

[I](#): Dmitry Grozoubinski, Founder, ExplainTrade; Emily Rees, Founder and Managing Director, Trade Strategies; Sam Lowe, Director, Flint Global.

Examination of witnesses

Dmitry Grozoubinski, Emily Rees and Sam Lowe.

Q52 **The Chair:** Good morning, everyone, and good morning to everyone who is with us in the meeting. My name is Dianne Hayter, Chair of the International Agreements Committee. We are meeting today to hear evidence on the very recently published UK-Australia free trade agreement.

Today, the committee will hear evidence from three people who are expert in the field: Dmitry Grozoubinski, Emily Rees and Simon Lowe, who joins us, I think, for the first time in his new role. So that our witnesses are all aware, this is being broadcast. There will be a transcript, which you will be able to see later on, to enable you to ensure that we have caught the words that you use. My colleagues will know that when we ask questions we declare any interests that we have relative to this agreement.

I will start off with a general question, which is about the key trade-offs in the Australia agreement. People have characterised it as Australian food

in return for UK cars and services. Is that a fair characterisation of the agreement? Perhaps you could start in the order that I first introduced you, with Dmitry Grozoubinski from ExplainTrade.

Dmitry Grozoubinski: Thank you so much, Baroness. It is an honour and a privilege to be with you and an honour be appearing alongside Sam and Emily, who are, frankly, far more qualified than me, so if you see me ducking questions during this testimony it is for the benefit of the committee, in addition to my own cowardice.

On your question specifically, this is quite a strange agreement in that you cannot even talk about trade-offs necessarily, in the sense that I think what happened was that two Governments had decided to liberalise. In this case, the UK had decided that it wanted to go for a maximally liberalising agreement, including doing something that has traditionally been very painful for the UK, which is liberalising its agricultural import regime— removing tariffs on agriculture—and thereafter the two sides tried to maximise liberalisation in a number of areas.

It is fair to say that, traditionally speaking, the largest sacrifice the UK made was on agricultural tariffs—removing the barriers to Australian agricultural exports—but in what Australia gave up there was a range of much smaller concessions across a whole range of issues: liberalising aspects of its visa regime somewhat, generally making it easier and less onerous for British firms to sell services to Australia and for British individuals to perform paid work in Australia; elements of its government procurement regime; and commitments on digital.

Were those directly painful for the Australian Government? In some places they were and in some places they were not, but the agreement reflects two Governments who had decided as a policy issue to liberalise as much as possible. I do not think that cars, specifically for Australia, are a significant sacrifice. Australia does not really have a car industry any more, and its car tariff was low to begin with, so I do not think that is a fair comparison. I might just leave it there. Thank you, Chair.

The Chair: Thank you for setting us off so well. Could I turn to Emily Rees?

Emily Rees: Thanks, Baroness. It is a great honour to be here with you today to discuss this agreement.

We need to remind ourselves that all trade deals are based on trade-offs. That is the nature of the game. The objective is to reach an aggregate point that benefits both economies more than not having an agreement. In that case, the agreement fulfils that objective. When we are looking at the specific sectors that were mentioned—in this case, agriculture and cars—it is quite important to delve into the sub-segments of that to get a better picture of what the economic consequences of the agreement could be.

According to the DIT's numbers, machinery would benefit most from the liberalisation with Australia, from the reduction in tariffs to the removal of

non-tariff barriers. That would be around £320 million according to the Government's numbers, followed by motor vehicles, cars, at £200 million. Agriculture, forestry and fishing lose out, as Dmitry mentioned, but to a lesser degree, at £94 million. In the food segment, semi-processed foods take the hit in the deal rather than commodity agriculture. Semi-processed foods would see a dent of £225 million, whereas beverages, and I believe we are talking about the whisky segment, would make quite substantial wins in that category.

The economic modelling that was used in the impact assessment does not provide us with sufficient detail to delve into the specific categories that would allow us to really be able to provide support to the SMEs that would be most affected by the deal. That is where we would want the impact assessments—the modelling—to go a bit further, to explain to us, even within the semi-processed group, what we are talking about. Is it the cheese segment? Is it cake mixes? What exactly is the sector that is getting hit to reach that £225 million deficit? That would be useful in order to calculate the preference erosion and other costs relating to the implementation of rules of origin with other partners that would be the result of the agreement. Considering the size of the trading relationship, we are talking about quite a small deal, so we need to look at the wins and negative impacts in that light. Thank you.

The Chair: Thank you very much. Sam Lowe.

Sam Lowe: Thank you very much for inviting me back to this committee. Much has already been discussed. I am not sure that the characterisation of Australian agriculture for UK cars and services is quite adequate as an explanation. It is a fun thing to say, but it does not really tell us too much. Dmitry made the point that the Australian car tariff is already quite low at, I believe, 5%.

The big liberalisation that would need to happen in Australia for it to be really beneficial to the UK car sector would be the removal of its luxury car tax. It is not a tariff, it is applied to all luxury cars in Australia, but it is significantly higher. Of course, that was not in the scope of the negotiations as it is a unilateral taxation measure. If you think about the sorts of cars that the UK sells to Australia, luxury brands, it could have had some potential benefit there, but that was not covered.

On the services side, which I am sure we will get on to, how we conceptualise and discuss services in the trade debate is not necessarily helpful, in that we often talk about them in terms of exports and then we ask whether a free trade agreement has unlocked new liberalisation and made it easier to export. To be honest, most free trade agreements do not do that. That is not what they are set up to do in the services space. Instead, they lock in the existing applied regimes. They provide companies with the information that how they currently either sell, into Australia in this case, or invest in Australia to provide their services, will remain the same.

This is not going to change over time. It is not going to be rolled back. It is not going to be made harder to do. That has huge benefits for companies in the investment space. It provides certainty and it provides a licence to operate that perhaps is a bit less concrete, but it is very difficult to model. It is very difficult to say that, overnight on day one, "This new agreement is going to unlock X amount of services exports or X amount of investment". We do not know, but we should assume that it will be positive and will do something.

As regards trade-offs, I think the economic trade-offs have been covered, but we also have to think about the political trade-offs. The political tradeoffs are largely internal matters. In this event, I would say that the UK had the bigger internal political trade-off to make because it was discussing it very acutely. It was discussing agriculture, which has been sensitive in the context of what has happened with the UK-EU relationship, it is sensitive in the context of the reforms of the existing regime, and it is sensitive because the agriculture sector is distributed quite acutely within the UK, in specific political constituencies, and that is where a decision had to be made. Australia had lots of political trade-offs and discussions it had to have with itself as well, but they were not all concentrated in one sector.

On climate change, which I am sure we will discuss, this is the first Australian trade agreement that commits to Paris, but, of course, that did not go as far as the UK wanted it to. Climate change brings down Australian Prime Ministers, I have been told. That discussion can be quite sensitive at home, so that is something they had to work on.

On labour mobility, the removal of economic needs tests for temporary workers coming to Australia to deliver services was really controversial in the Australia-China agreement. The labour unions do not necessarily like it. Political trade-offs exist in Australia too, but as they are more finely distributed across the economy it has perhaps not been as difficult for Australia to deal with the agreement politically as perhaps it has been for the UK Government.

The Chair: Thank you. If those three answers are anything like the quality of what we are going to hear in the next hour, we will be doing really well.

Q53 Lord Morris of Aberavon: The UK Government's impact assessment forecasts a more than 50% rise in trade as a result of this FTA. Do you think that is likely? Is it realistic?

Emily Rees: I will keep my remarks very brief. It is very important, as has already been said, to remind ourselves that it is not countries that trade but companies, and that any econometric analysis only looks to foresee potential decisions made by enterprises on each side. It does not necessarily take into consideration, for instance, promotional activities, which we know are very important in simulating trade, or the market intelligence that is needed. A British company wanting to export to Australia would have to understand the regulations in Australia that are applicable to its sector.

As we will see as we get into the discussion today, not many non-tariff barriers are removed in a number of sectors, meaning that it will be imperative, to make best use of this agreement, to understand what the regulatory regime in Australia is for those who are not already exporting. Ultimately, it is about building relationships with clients, with buyers, and that is where the Government can come in by providing platforms for promotional activities. That is how you reach the kinds of numbers that are econometric models but need to be matched by reality and real business transactions.

Lord Morris of Aberavon: Thank you.

The Chair: That is interesting.

Sam Lowe: When I first saw that 50% figure, it led to a slight raised eyebrow, in that it sounds slightly high. However, lots of things can be true at once, one being that the economic department at the Department for International Trade was under prime ministerial pressure to inflate the numbers slightly so as to provide a better message, because the interim assessment figures were not particularly high. It is also true to say that, having looked at the new assessment, as I have done, the approach used for the new forecasts is reasonable. It has produced a big number, but looking at the actual work that has been done, they have used a different approach from before.

Instead of focusing on firm heterogeneity, they are focusing on crosscountry differences when it comes to something called the elasticity of substitution, on which you should get proper economic modellers in if you want to discuss it more deeply. They have taken a different approach, but their reasons for doing so are reasonable, and it has produced a slightly higher figure than before. That is, of course, politically useful, but I do not think we can say that they have done anything wrong. The actual assessment is still a good one. It is still reasonable, and I would be happy referring to it. I am still a bit sceptical, because I would say that 50% is definitely at the upper end, largely because Australia-UK trade is already higher than we would expect it to be, given the distance and the geography. A lot of that is to do with cultural ties.

We talk about Australia a lot in the UK despite the fact that it is on the other side of the world. We do not talk about a lot of other countries in that region half way near as much, and that feeds into business behaviour. People think about Australia as a destination. This agreement, which is liberalising, especially on agriculture tariffs in the UK space, provides some additional certainty on investment in Australia, some opportunities there and some certainty about services. Can it really lead to a 50% jump in exports? Maybe, but at the more ambitious end.

The Chair: Thank you. Dmitry Grozoubski, did you have raised eyebrows, or were your eyebrows lowered a bit?

Dmitry Grozoubski: My eyebrows do not tend to move too much at all at FTA economic projections of GDP numbers. There are a bunch of reasons for that. The media and the public tend to focus on the GDP

impact figure because it is really easy. It feels as though it summarises the entire deal in one number. If you are an opponent of the Government you can yell about how small it is, if you are a supporter of the Government you can yell about how big it is, and it is very simple. I do not tend to put a lot of stock in it for a number of reasons.

First, when we talk about new exports created, are we talking about exports that would not have happened anywhere, or is there now a contract whereby Deloitte London would have done a job for New Zealand but will now do it for Australia? Under this analysis, that would be counted as new exports created, but in actuality it does not create too much new business or too many new jobs if it does not do both and it simply diverts trade. That is in the first instance.

In the second instance, the Australia-UK trade balance was something like £13 billion last year. One contract to build submarines on the scale of what France signed with Australia, which was famously torn up, was worth something like £40 billion. You can imagine how these numbers get completely out of scale. One government procurement contract, which the Government could make a case was made because of this deal, would completely blow the existing numbers out of proportion without necessarily being because of the deal, or without really representing what I think the numbers sound like they are saying, which is that if right now you had, hypothetically, 100,000 people benefiting from trade with Australia, because of the deal you will have 150,000 people in the UK benefiting from trade with Australia.

I would say that 50% sounds like a large figure, but it is very easy for that kind of figure to emerge without the impact that it sounds as if it would have when you hear that number. I would urge, as Emily and Sam said, focusing on what the deal actually changes for individual businesses, and the kind of opportunities it creates, rather than debating the tea leaf reading of future economic impact.

The Chair: Thank you for that.

Q54 Lord Morris of Aberavon: We have talked about exports. What about imports? In the modelling assessment that we have before us, there are several factors that add significantly to the uncertainty. I will not go into the rest of the paragraph. Secondly, we read recently that the Australian Minister said that although beef imports to the UK are now low they hope to increase them tenfold. What is the effect on the agricultural industry from imports resulting from the liberalisation of trade?

Sam Lowe: There is a huge amount of uncertainty in the modelling. I think the paragraphs you are referring to discuss existing Australian trade patterns where firms are already focusing their efforts, which is largely in the local region—I say local, but it is a very large region—in Asia, and the question as to how much of that production will be diverted towards the UK. Of course, they are going to be ambitious about it. In terms of what they hope to achieve, the UK is not necessarily a new market but a market they are returning to. The barriers that are coming down are quite significant, so it will provide them with some new opportunities.

Tenfold sounds like a lot, but as ever we need to look at the existing quantities. If they are fairly small, 10 times a small number is not necessarily that large in the grand scheme of things, when we take into account UK domestic production and the imports we currently receive from the European Union, which far and away outstrip everything else. There will be some increased competitive pressure on UK producers. We are not entirely sure how much. There will also be pressure on suppliers from the EU, where I suspect there could be some displacement, so instead of importing from Ireland we might import beef from Australia instead.

All of this feeds into the point Dmitry was making, which I would certainly reiterate. Modelling is useful in that it gives us a sense of direction of travel and a sense of the magnitude, but in terms of precision, although there are lots of efforts to improve modelling and to try to give some insight there, we should not take it as written. There are so many other questions and so many other factors that will feed into what actually happens on the ground.

The Chair: Thank you. Do either of the other two have anything different?

Emily Rees: For the two liberalised segments that we are talking about, which are beef and lamb, there are projections as to what it would look like for beef and lamb production in the UK at the end of the liberalisation period, keeping in mind that this will be occurring over quite a number of years—10 years for the introduction of quotas for beef. That means going from 35,000 tonnes in year 1 to 110,000 in year 10. After that, there are safeguard measures that kick in. I will not go into all the technicalities of that right now.

In the projections, this would have a 3% and 5% impact on beef and lamb production in the UK. It also assumes—again, we come back to the basis of the econometric modelling—that the Australians will export the full amount they can, which is often not the case. There are often cases of what we call quota underfill. Simply, there are better clients in other parts of the world for that produce, and therefore you rarely have full use of the quota that is put forward. That is also something to take into consideration when we are looking at these numbers.

Dmitry Grozoubinski: I looked at the numbers very quickly. Australia exported somewhere between 1,000 tonnes and 3,000 tonnes of beef to the UK last year, compared with 936,000 tonnes produced in the UK. A tenfold increase in 3,000 tonnes would take it from a tiny fraction of a per cent of the UK beef market to close to 1% of the UK beef market. We are still talking about a very small change. I just wanted to add some numbers to what Sam was saying about that. A tenfold increase may sound a lot scarier than it is.

The Chair: Thank you for that.

Q55 **Lord Lansley:** Thank you very much. I am grateful to our witnesses for being with us this morning and for their answers so far.

Can we turn to the issues relating to services and procurement in particular and delve down a bit? Sam, you were talking about the reality to lock in some of the services access that we currently enjoy. I think the expectations on services are probably a bit greater than that. Things like the mobility of workers, particularly skilled service workers, rights of establishment and so on, linked to procurement opportunities, are all raising expectations about the benefits on the services side.

What assessment do you make? Do you think that is realistic? I wonder if you or our other witnesses might comment on how important and how useful what looks to me a bit like an MFN on services might be in the future, such that if Australia enters into any other liberalising agreements on services we get the benefit as well. Is that a significant negotiated achievement?

Sam Lowe: Thank you. I think you have correctly identified a few of the areas where there are some additional benefits to UK services providers. On the mobility side of things—the ability for a UK worker to work in a firm temporarily, perhaps as an intracorporate transferee, or to deliver a shortterm services contract—the removal of the need for economic needs tests in a number of those sectors makes that process much easier; for example, in so far as the firm in Australia does not necessarily need to advertise locally first before the company takes the decision to hire or move over the British worker.

In the case of procurement, that has been the government line, and the Australians have confirmed it. I have checked it against the CPTPP. I must say I have not checked it against every agreement that Australia has done, because I do not have that much time in the day. On procurement, it is true that this is the furthest, to my knowledge, that Australia has gone.

I will approach it from a numeric perspective. There are 93 on the list of entities covered by the procurement commitments at a central level in Australia-UK. If we compare that to the CPTPP, an ambitious trade agreement, Australia has listed 67 there. If we look at the subcentral entities—for example, the Australian Capital Territory—in the Australia-UK agreement, they have listed 20 entities, whereas in the CPTPP they have listed 17. I know that is not something the UK Government pushed on, and this is the furthest, to my knowledge, that Australia has ever gone.

What does that mean in practice? It should mean that British firms competing for contracts in the sectors granted by the entities listed should be able to compete on the same basis as a domestic Australian supplier, which of course is a good thing. There are conditions. It is for contracts over a certain monetary value and the like, but it is obviously a very good thing.

My point about locking in market access rather than delivering more tends to apply more to what people would largely think about if you talk about services exports, which is direct market access for a firm selling directly from the United Kingdom. It is hard to find anything particularly new there, but Australia binds itself to continue allowing existing market

access, and that is useful because that binding commitment does not necessarily exist elsewhere in Australia's international commitments. It does not necessarily exist in its WTO commitments. In some areas, I have been told, it goes slightly further than the commitments they have made elsewhere—for example, in portfolio investment in financial services. I am relaying what I have been told about that. I would need to go through every single agreement to confirm it, but I have no reason not to believe the person who told me.

You mentioned MFN, which is the idea that, if Australia or the UK were to offer additional market access, or preferential access, to a new market in future, that access should then be granted to Australia or the UK as well. Taking the US as an example, if the UK were to do a trade agreement with the US that led to the UK making additional services commitments, those services commitments, subject to terms and conditions, should then apply to Australian firms as well. It is a way of ensuring that, as trade liberalisation continues over time and you do new agreements with different partners, you bring everyone with you. It is also a way of ensuring that someone else does not get given something you did not get. There is a cynical view of it as well.

Lord Lansley: That is very helpful. Thank you very much. Do our other witnesses want to add to that, in particular on the latter point? How significant an achievement in the negotiations is it? Is this MFN-style agreement with Australia on services something we would like to see? As a services-led economy in large measure, I guess it is rather important for us to entrench this into our negotiating objectives with other countries as well, is it not?

Sam Lowe: It is quite common, especially in modern agreements. It was in EU-Canada, so it is in UK-Canada. It was in EU-Japan, so it is in UKJapan. It has not always been there, but in more recent agreements it is certainly no surprise that it is there.

Lord Lansley: Okay, very good. Would our other witnesses like to add anything on services or procurement?

Dmitry Grozoubski: I have two points on MFN. One thing to keep in mind with Australia specifically is that Australia already has free trade agreements with every major partner it has, apart from the European Union. There are not too many future partners with which you could benefit from MFN, because Australia has done them all, much to the annoyance of new Australian Trade Ministers coming in who do not have anything fun to sign. It is great to have. It is not necessarily the achievement of the century.

On services, one thing I would add is that, in addition to the commercial benefits, which, as Sam said, in terms of market access may not be that great, there is a lot in this agreement that would make life easier and more predictable for people who have to deal with the Australian Department of Home Affairs, the Home Office equivalent in Australia. For example, I think the deal provides four-year terms for some professional

services providers rather than the one-year extendable terms in the CPTPP.

There are things that it does on spousal visas. Those do not have economic impacts, but I promise you that from an individual UK citizen's perspective having four years of certainty rather than getting to June and having to reapply for your visa is, as someone who has had to deal with that kind of process personally, genuinely transformational and life changing. It is important not to forget the human and predictability benefits. That is an achievement for which the UK negotiators should be lauded where they have done it.

Lord Lansley: Thank you.

Emily Rees: I have nothing to add to those two excellent statements.

Q56 Lord Kerr of Kinlochard: Thank you very much. I would like to touch on regulation. Experts such as our witnesses keep telling us that we should move away from concentrating on tariffs, and that what really matters are regulatory barriers to trade and how to get them down. How do you assess the relevant chapters in this agreement? I find it quite hard to do so. Do you think it matters that the relevant chapter, chapter 7, is not subject to the dispute settlement provisions? Is that a disadvantage? The big question is: how significant are they? Sam is the man who has been teaching me down the years to stop worrying about tariffs and think about regulation. Sam, what is the answer?

Sam Lowe: Thank you. My answer is perhaps slightly unsatisfactory in that I would not expect a free trade agreement such as this to do much when it comes to removing regulatory barriers. I expect it to clarify some of the processes around regulation, and maybe even have some additional commitments when it comes to transparency notification and the like, but there is a reason why regulation is difficult to deal with, and as legislators you will understand that.

How would you feel if your Trade Minister came back to you and said, "Because of this trade agreement, we now need to change all this domestic regulation"—regulation that was derived as part of a domestic political process, taking into account the political preferences of Governments over time and of people? The answer is that you would probably be furious if that was asked of you as a result of a trade agreement. That is true of other countries too. It is possible to address some of those issues. I am not saying that it never happens. I am just saying that it is tricky. I would say that a free trade agreement-type construct is not necessarily deep enough to allow for that to happen.

Even in the context of the European Economic Area or the European Union, in order to get to a point where you could remove regulatory barriers you ended up having to introduce political union, to a degree, in order to get consent. Does this agreement deal with regulatory barriers to the extent that it could lead to large increases in trade flows in both directions? I do not think so, but I do not think it was ever intended to do so either.

The Chair: Thank you. You touch on a bit of a sore point for Lord Lansley and me, as we recently discovered that the Trade Minister was indeed asking for certain changes to the regulatory system for results. He did not quite get away with it, shall we say. Emily Rees, do you want to add anything?

Emily Rees: Yes, very briefly perhaps on food standards, because they often come up in discussions on regulations—whether the UK will lower its barriers to allow, for instance, the entry of hormone-treated beef as part of a free trade agreement. Allow me to be quite clear. This particular agreement could have gone a lot further. That does not necessarily mean removing legislation. It can mean accepting that the legislation of Australia is equivalent to the UK. That did not happen in this agreement.

The sanitary and phytosanitary measures are based on World Trade Organization rules, so there is no change to the regulatory regime when it comes to the import of food as part of this negotiation. That said, we can talk about the missed opportunity to have put in perhaps some conditions, notably in the liberalisation of the beef and lamb segments as regards animal welfare commitments. That is certainly a point that I believe could be discussed.

Lord Kerr of Kinlochard: Does it matter that the phytosanitary chapter is also exempt from dispute settlement?

Emily Rees: If there had been any provisions that went beyond the rules of the World Trade Organization, that would perhaps be a problem, but there is a choice of policy made by the UK in that regard. I understand that it was also not an issue for the Australian counterparts, who have their own regulations, particularly on biosafety. In this particular negotiation, both the UK and Australia agreed, essentially, to stay with the rules that they have under the international regime and not push further on this particular point.

The fact of this chapter not having a dispute settlement of its own is problematic in the sense that the World Trade Organization currently does not have a functioning dispute settlement mechanism. If there were a dispute, it would probably be a dispute in the void in this case. It would go nowhere. Obviously, the point of putting together a free trade agreement, if we read the content of that chapter, is to avoid getting into a dispute; it is actually about collaborating and being able to take decisions bilaterally together over time. That was not the aim of this particular text.

Lord Morris of Aberavon: Is the bottom line of what we have just heard that there is no increase in the danger of hormone-fed animals coming into the United Kingdom?

Emily Rees: That is the bottom line, Lord Morris. That is correct. No hormone-treated beef will be coming in from Australia, nor ractopaminetreated pork. Nothing that was not allowed before will be allowed now.

Lord Morris of Aberavon: Thank you very much.

Sam Lowe: I have a supplementary point on the dispute settlement question as to why it has not been included as part of the sanitary and phytosanitary chapter. I just thought I would make it slightly more explicit.

Both the UK and Australia currently have measures that are potentially questionable under the terms of that chapter and under the terms of their WTO commitments. We know that the restriction on the use of hormones in beef is an illegal measure from a WTO perspective in so far as it has been challenged. When the UK was part of the European Union, the European Union lost that case. You could argue it from different perspectives, but removing dispute settlement from that chapter could arguably be seen as sensible from a UK-Australia perspective, or at least as safeguarding themselves because they already know they are noncompliant.

Dmitry Grozoubski: I have two very small supplementary points. Dispute settlement in free trade agreements has not historically been used very much. There are a lot of reasons for that that are not hugely important, but probably the most important is that Governments do not tend to sign free trade agreements that include commitments contrary to what they intend to do or can see themselves doing, or, as Sam said, when they feel that they might they exempt that part from being a binding legal commitment or subject to dispute settlement.

Secondly, running international litigation without the support of something like a WTO secretariat and an existing structure is immensely complicated, expensive and onerous. At the end of the day, if this were subject to dispute settlement, all the potential decision would allow one side or the other to do is to withdraw some of the benefits it offers to the other side through this free trade agreement, which neither side particularly wants to do. I just wanted to add that additional bit of context.

Q57 **Lord Lansley:** Thank you very much. Could I come in on the question of cars? At an earlier stage, looking at the impact assessment, Emily said that cars, after machinery, may be what the impact assessment assesses as a significant gain for UK exports. Sam, you were talking about limited tariff reduction. How significant should we regard the rules of origin definition for cars being reduced to 25%? In that context, is this potentially a precedent for CPTPP? If so, how important and valuable would that be? Emily, perhaps you would be kind enough to start, as you referred to cars earlier.

Emily Rees: I referred to cars earlier, but I truly am more expert on issues relating to food, agriculture and environment, so I will allow Dmitry and Sam to comment on rules of origin of cars.

Dmitry Grozoubski: If I answer the rules of origin question with Sam on the call, Twitter would never forgive me, so please, Sam.

Sam Lowe: Thank you very much. The 25% local value threshold was necessary for this agreement to be useful to UK exporters. This is something that the UK struggled with in its rollover trade agreements, and it found a solution there, which was to continue to allow for EU-originating inputs to count as being from the UK for the purpose of meeting higher local content thresholds in the 50% to 55% rate. That is because the UK is an intermediary manufacturer of a lot of these products. A lot of the value of the cars comes from elsewhere, so we do not necessarily create a lot of local value. You can approach it in different ways. The UK convinced Japan to continue to allow for EU-originating inputs to count as being from the UK.

Another way of going about it is just to lower the threshold, and that was what was agreed; 25% is sensible, and it is clearly something the UK asked for. It was clearly an aggressive ask, and it is clearly something that the negotiating team found some success with. The Australians agreed to it, and it allows for exported cars from the UK to qualify for tariff-free trade. As for whether it sets a precedent for the CPTPP, my answer would be no. The CPTPP rules of origin text is set in stone. I am not saying that no one could get them to change it. As subtext, if the US rejoined that discussion at any point, I am sure the whole thing would go up in the air again. The UK is not going to convince them to change their rules of origin thresholds within that.

The rules of origin thresholds within the CPTPP are higher. For a motor vehicle, you would need 45% regional content—that is content from the UK but also from other CPTPP members—and that might be harder for UK exporters to clear. In the context of Australia, it does not matter, because if they cannot qualify for the CPTPP rules of origin they still have UKAustralia to fall back on. This overlap between agreements and rules of origin provisions is something that companies do not have to wrestle with themselves, because all agreements have different thresholds. It can be viewed as a burden, but it can also be viewed as an opportunity. They are being given options.

Q58 Lord Razzall: Do you think that the relevant factor in this on cars, and which is important for us, is batteries for electric cars? I know that has been a problem with other negotiations. If we cannot manufacture our batteries for electric cars in the UK, there will be a problem, because the battery is such a large proportion of the value of an electric car.

Sam Lowe: Yes, that is an excellent point. One of the issues with some of the existing free trade agreements we have is that they inadvertently discriminate against trade in electric vehicles. To phrase it differently, they inadvertently favour trade in petrol and diesel vehicles, and that is because the origin thresholds were not created with battery supply chains in mind.

As you say, at this moment in time, obviously, the ambition is to change that. We want to create more batteries domestically within the UK, but we also have to accept that we are going to continue importing them. At the moment, we import most of the batteries from Asia. Those batteries

may account for 30% to 40% of the value of a car. You then have all the other bits of the car that you are importing from elsewhere, and all of a sudden you have far too much foreign content to qualify for any of the trade agreements. The 25% threshold, to my mind, probably resolves that issue in the case of this trade agreement.

Lord Razzall: Thank you. Could I get Emily to expand a little on what she has talked about already? Are you saying that as a result of this agreement we will not have to alter our food rules at all? More specifically, have we missed a trick by not trying to trade off tariff reduction against an improvement in Australia's welfare standards for animals?

Emily Rees: On the first point, that is correct. There is nothing in British rules or regulations, or even frequency of import controls, that changes with this agreement. We stay with the same rules as we are applying today. I agree with you that perhaps a trick was missed there. We are talking about two big segments that have been liberalised—beef and lamb. We know that there are some practices in Australia that are prohibited in the UK, and it would have been possible to attach to the liberalisation in those quotas a request that certain what we would call process and production methods—animal welfare conditionality—be included as part of that liberalisation.

I will give you some very specific examples. In the case of Australian beef, there is still large use of hot-iron branding, which is banned in the UK. Could we not have asked that the cattle not be hot-branded if they were to be exported to the UK? That is quite verifiable at the slaughterhouse—the establishment of export. In the case of the sheepmeat trade—lamb—there is a particular process used in Australia called mulesing. That is a pretty painful procedure that involves cutting little crescent-shaped flaps of skin around the lamb's breech and tail using quite sharp shears. That results in a wound. The wound, as it heals, creates an area of scar tissue, which avoids the attraction of blowflies and reduces the risk of flystrike, which happens quite a lot in Australia.

One of the options is that we could have asked that mulesing not be used as a technique in the sheepmeat that was being exported to the UK. In fact, it could have provided a productive opportunity for British genetics in this case, because we know, according to Meat & Livestock Australia, that British breeds and cross-bred Primera lamb are less likely to need mulesing and are at less risk of flystrike. We could have been exporting more British genetic material in this case, improving animal welfare and creating a more level playing field in that regard, and taking out a very painful practice for animals in Australia, while gaining the advantages of a liberalised market in the UK.

Lord Razzall: Thank you.

Q59 **Lord Watts:** Is there anything in the trade deal that surprises our guests, and is anything missing? Is there something that you did not think would be in it that is in it? Emily is shaking her head.

The Chair: Do any of you have a comment on surprises either way?

Emily Rees: Free trade agreements tend to be surprisingly dull. I suppose that is probably a good thing for a trade agreement. However, I must say that there are some very surprising elements in this trade agreement, and they relate more to what we would call the legal scrubbing. That is the moment after the agreement in principle when you check that everything works and there is nothing that contradicts any other point in the agreement.

In this case, we have some pretty nice ones that could have been checked, particularly with regard to the market liberalisation chapter and how that relates to environmental causes. There is a lot to be said on the environmental chapter. It is a very strong chapter. It is particularly strong in the area of marine conservation. I can talk a bit more about that if we have time.

Essentially, what happens in the agreement is that the UK and Australia, correctly, put into place measures for the long-term conservation of species, including sharks, marine turtles, sea birds, and marine mammals. That is all excellent: A+ for marine conservation in this deal. Unfortunately, surprisingly and incoherently, all that positive language is accompanied by trade liberalisation measures for the exact same species that are vulnerable or about to be extinct.

For instance, in the UK's schedule of tariffs, we see full removal of tariffs on meat and edible offal, salted, in brine, dried or smoked, and edible flours and meals of meat or meat offal of whales, dolphins, porpoises, manatees, dugongs, seals, sea lions, walruses and turtles. On whalemeat, rest assured that both the UK and Australia have outlawed the practice of whaling, and they did so nearly 50 years ago, in the 1970s. In fact, Australia and the UK are at the forefront of the preservation and conservation of the Southern Ocean's whales, particularly in Antarctica, and were both initial proponents of setting up the International Convention for the Regulation of Whaling. So why is the UK liberalising the import of whalemeat from Australia? It is a mistake, it is clumsy, and there will never be any trade in whalemeat.

We see this mistake across a number of the market access schedules. We have liberalisation of ivory, despite the fact that there is an article curbing ivory and looking to work with other partners around the world to curb illegal trafficking and trade in ivory. There are many other surprises in the text, but I will leave it there. I would say an A+ for marine conservation and a B- for the legal scrubbing of the market access schedules to make them in line with the legal text of the agreement.

Lord Watts: Can I pursue that piece? It has been suggested that the Australian deal has been rushed through. It seems to me from what you have said that, if the scrubbing has not picked up some important issues, that has some justification. It seems to me that the lack of agreement on regulation, for example, which has some benefit to us so that we do not have to lower our animal standards, leads in some cases to tariff barriers,

or can lead to barriers that were unexpected. Do any of our guests take the view that that might happen? There might be another way of protecting home markets by using regulation rather than using trade agreements.

Emily Rees: In this case, it is a very simple question. Once again, whether we are looking at food or other elements relating to agriculture, the whole policy choice going into this agreement was to not deregulate, and not to lower non-tariff barriers; to keep those barriers in place to protect the standards of the UK, but to lower the tariffs. If we are talking about something that has been rushed, I think it was the double-checking of the market access schedules—the tariffs—after the text had been concluded to make sure that there were no mistakes.

The Chair: As you have mentioned the environment chapter, perhaps we could move to Lord Oates.

Q60 **Lord Oates:** Thank you very much, Chair. Could I ask, first, whether you think the signed agreement is sufficiently ambitious? Do you think there are other provisions, particularly concrete commitments on climate change, that could have been beneficially included in this chapter? Given that this is the first clear trade agreement that we have made post Brexit, how do you see it as a model for environment chapters in future FTAs?

Dmitry Grozoubski: First, as Emily was saying, it is very clear from the breadth of the environment chapter that the two teams said, “What is everything we agree on?” They have thought really creatively and put a lot more into this environment chapter than you ordinarily see in environment chapters, which are traditionally focused on saying, “Do the two sides commit that they will not ignore or undercut their own environmental regulations to give businesses a boost in a way that will exploit the tariff access of this agreement?” That is what environment chapters have tended to be about. Certainly, in this deal, they have looked at a breadth of issues. I think marine conservation is a really good point. They have said, “What else can we put legal certainty around?” That is interesting and commendable.

My second point is that Australia may not be the best test case for climate commitments, just because Australia has, shall we say, a unique and interesting position on climate change at the moment, which causes problems from COP to Paris. Australia is a difficult windmill to tilt at, if what you are looking for is concrete commitment on climate. It will be a much harder lift than if you were negotiating with Canada.

The third point, and here I come back to the question of whether it was rushed, is that I partially disagree with Emily about what the rushing means. When I look at, “Was this agreement rushed?”, the question I ask myself is, “Did the UK especially take the time to extract maximum commitments on the things that were important to the UK for what it was offering?” At least in agriculture, which is hugely significant to Australia, that is quite a lot.

That is an absolutely subjective opinion. Emily asked whether you could have conditioned some things on animal welfare in the agreement. Similarly, could you have extracted more on climate change, for example, through the agreement? Maybe. That is a big subjective question, and we were not in the room. You could certainly have tried. The flip-side is, I think, that the negotiations would have taken a lot longer, and there was certainly an imperative on the part of the UK Government to get it done nice and quickly.

Lord Oates: Could I put that question to you, Sam? Could I also ask this? You made the point at the beginning that we should not expect big regulatory change from FTAs. We know that Australia has its issues with climate change. Is there not a danger, picking up Emily's point, that if you have tariff liberalisation with an economy that is not decarbonising in the same way the UK is, for example, you actually end up undermining standards in the UK and putting pressure for change in the wrong direction in the UK?

Sam Lowe: Yes. To answer that question, and the ones that preceded it, this negotiation was rushed. I do not think that is a controversial thing to say. From a UK perspective, the political expediency of getting the agreement done quickly was more important to the Government than taking the time to make sure, as Dmitry said, that they extracted maximum benefits from the Australians.

If the question is therefore whether you could conceivably have had a different agreement, in which the UK offered the same degree of market access to agriculture but made some of that market access conditional on some of the things Emily said about animal welfare standards, yes, that is conceivable. Would it have taken longer? Yes, of course it would, because the Australians do not want to do it. They would have said no, and then they would have had to work out, "Well, okay, so how much do we value this new market access? What is our actual limit on what we are willing to pay? How much political difficulty would it get us into domestically if we were to actually agree to some of these things on climate change?", which is a big domestic political issue. It would have taken longer and it would have been more difficult.

On more general things, there was a question earlier about whether anything surprised us by its exclusion or because it was not there. The fact that there are no provisions on SPS equivalence is slightly odd. We should be clear about what we are talking about. An equivalence type of arrangement could have simplified some of the paperwork for food products trading between the two regions. It could have led to a reduction in the frequency of physical inspections upon entry to either country. Those are not abnormal. We have an agreement like that with New Zealand, and there are equivalent arrangements as part of the UK-Canada agreement. It is slightly surprising that that has not been touched on at all, although not fully surprising given the starting positions of both countries in that respect.

In some other areas—this may just be me nit-picking—I am continually dissatisfied by the chapters on financial services regulatory dialogue. I wonder whether the UK, having left the EU and with financial services being such an important part of its economy, could start to really push the envelope on some of this. Maybe it is roping in some of the equivalencetype framework and trying to deliver it within a more concrete structure, maybe building on the sort of discussions that we are currently having with Switzerland. I wonder whether there could be a little more there. As it stands, it just looks like a copy and paste type approach on the EU model, which is not bad, but I wonder whether we could do a little bit more.

Among other things that surprise me, I suppose I should mention that when you look at the tariff liberalisation that the UK is engaging in, which in respect of imports from Australia is removing tariffs either on day one for pretty much everything or for a few products over time, it is slightly fascinating to look at where tariffs have remained. If you look at, say, PPE—pork, poultry and eggs—there are some tariffs remaining. My cynical take on that is that the Australians did not want to export them anyway, and the UK wanted to be able to tell farmers that it had put its foot down on a few issues.

There is also protection for long-grain milled rice, which is slightly fascinating because it sends you into the world of rice production and looking at where certain rice milling occurs in the UK. You also discover that the Australians did not care anyway, because they export mediumgrain milled rice. Those are slightly surprising things that probably do not matter that much in the grand scheme of things.

Q61 Baroness Liddell of Coatdyke: Thank you very much. I think we have just come to the core of what this free trade agreement is about. I was going to ask about the extent to which it is based on the CPTPP. There are so many references, both this morning and in the text, to the CPTPP. The conclusion I am coming to about the last bit of discussion is that an FTA like this is not as tailored to the UK as would otherwise be the case.

Do our panellists agree that, because of the rushed aspects of it and the focus on the CPTPP, this is not a free trade agreement that is really tailored to the needs of the UK economy?

The Chair: Which of you would like to start? Dimitri, is that for you?

Dmitry Grozoubski: That was a look of terror rather than volunteerism. I will do my best.

I do not think it is fair to say that it is not tailored to the UK's interests. It certainly serves those interests in a number of ways we have discussed today. The point that Emily, Sam and I were making is that the trade-off for haste and for a focus on this being a stepping-stone to the CPTPP is that perhaps some of the areas where the UK could have done more, given the scale of what it was prepared to offer, were left on the table because to pursue them would have required significantly more time on the UK side thinking about what that would look like. It would be

innovative in a lot of areas. The financial stuff that Sam was discussing is new for trade agreements, in some ways. It would be pushing the envelope, as you said.

More problematically in free trade agreement timescales, the Australians would have found it problematic or at least a cause for deep internal reflection, which would have blown the timelines out. When we talk about free trade agreements taking a long time, we are almost never talking about the speed at which civil servants type. We are talking about the speed at which Governments can be convinced to agree things that they do not want to do or to drop requests that they would really like to see in the deal. I will leave it there and pass it back to my colleagues.

Emily Rees: I will try to keep it brief. I actually find this agreement to be quite qualitatively tailored to both sides, given the amount of time in which it was negotiated. Please do not get me wrong when I said in my earlier remarks that part of this was rushed. I am talking more about what happened after the agreement in principle—the legal scrubbing of the text, or rather the legal scrubbing of the tariff schedules that could have had more eyes checking them.

If we are looking at how far it was tailored as regards sanitary and phytosanitary measures on food, there was no intention to go further than the rules that are currently in place. That was easy from the start. On the other hand, as we have heard, the environment chapter goes far beyond even the ambitious 21st-century agreements that we have seen. It is a text that should be a good template for further negotiations, particularly on certain provisions.

However, what we are looking at is a question of how the tailored part could work with regard to other agreements, particularly the CPTPP. In that case, there is no British tailoring of the CPTPP. There is an accessional process to the CPTPP. What is happening is that through these bilateral agreements we are effectively trying to tailor relationships with the members of the CPTPP.

Sam Lowe: As a supplementary point, when it comes to Australia we need to take into account the fact that, although I have identified some areas where there are perhaps gaps or where the UK could have gone further, this is not the end of the discussion. To take one of Australia's other trade partners, Singapore, we have the Australia-Singapore trade agreement, and we have the CPTPP, which includes Australia and Singapore, as does RCEP. We also have the digital bilateral agreement between Australia and Singapore.

The point I am trying to make is that this is not set in stone. We are talking about a country, in the context of Australia, that really will return to the relationship and try to develop it over time. Just because, as I identified, we may not have gone quite as far on financial services as I might have liked, that does not mean that we are not going there in future. It does not mean that it cannot be pursued later on, with the

caveat that, in getting what we want from Australia, we have already given up our biggest bit of leverage.

Q62 **Lord Watts:** The agreement is littered with comments about further cooperation. Following Sam's last point, does he think there is scope to widen this trade deal over the next few years? Is that common practice? Does it happen with other trade deals that the commitment to co-operation leads to something of substance?

Sam Lowe: I think we can say that in the context of Australia the evidence suggests that it can, in that Australia seems to return to these agreements. The digital provisions between Australia and Singapore were built over time, and built out of ongoing regulatory co-operation that was probably inferred in the first agreement they signed. Yes, I think it can, but it is entirely dependent in this case on both Australia and the UK, and the respective regulators, wanting to build. You create some great provisions, and you might even write down that they should meet four times a year, but if you just go to those meetings and read off a piece of paper and then go home and never think about it, nothing happens. Building on this agreement and ensuring that it delivers for the British economy in innovative new sectors over time will require continued engagement and continued political attention.

The Chair: Thank you. Do either of the other two have a different take on that?

Emily Rees: I have the same take as Sam, Chair. This is a nuptial. Now, it is about making the most of the marriage, and that is where all the working groups and the intent come into play.

The Chair: I like the analogy.

Q63 **The Earl of Sandwich:** Thank you very much, Chair. I will be as brief as possible. This is about the claims in the impact assessment of the first ever chapter on development between two advanced economies and the references to monitoring.

This question is for Emily. What general effect do you think the agreement could have on developing countries? To what extent could there be preference erosion, as it is called, if we import more food from Australia? Sugar is the example given. Will that come at the expense of developing countries?

Emily Rees: That is an excellent question on preference erosion. Essentially, the key sectors that have been liberalised are beef, lamb and sugar. In the case of beef, beyond the EU the erosion would mostly impact Uruguay and Brazil, which I would say currently have that segment in imports to the UK and could be displaced. I saw some reports from Uruguay this morning. They seem slightly preoccupied with the Australians taking part of that market.

New Zealand is the dominant supplier of lamb to the UK market today. It has a market share of 70%, with Australia at around 15%. We will have to see how the agreements with both Australia and New Zealand work in creating some competition in that import segment. It will be mostly

between Australia and New Zealand. Again, it would not particularly affect the least developed countries.

When it comes to sugar, it is important to keep in mind that most UK imports of cane sugar tend to come from Bonsucro-certified mills. Actually, that places Australia in a very good spot. Does it take away from the least developed countries? It depends on the certification that those players would have had before. If you are importing sugar and you can get sugar at a good price, and it has all its social and environmental certification by Bonsucro, surely that would create some displacement, but it ensures a higher-quality import.

The Earl of Sandwich: Thank you so much. Dmitry?

Dmitry Grozoubski: I am afraid I have to be deeply cynical about the actual practical implications of this. The kind of question is: what do we expect to happen? If, for example, the parties find that following this agreement there is a surge of Australian exports displacing the exports of, say, Uruguay, as Emily suggested, are we actually picturing a scenario where the two parties put the tariffs back or adjust their actual trading regime? I, for one, do not believe that they will reopen this deal because of what the development chapter says about monitoring the impact on developing countries.

Although I think that the intention is laudable and it is good to lay down as a marker that it is something the two sides care about and will be monitoring, do I actually expect kinetic policy action as a result of what is in the chapter? I do not, but my colleagues of course are very free to disagree with me.

Sam Lowe: I do not disagree with Dmitry. Trade agreements lead to trade diversion and preference erosion. That is what happens. If, all of a sudden, you open up your market to competitive pressure from a new market, it will not just impact domestic producers. It will also impact companies that sell into your market from elsewhere. Quantifying that is difficult, but yes, I would expect it to happen.

As to the development chapter, it is nice that it is there. It is a nice thing to say, but when I read it I go back to our previous discussion. For anything concrete to emerge from this, it requires both the UK and Australia to want something concrete to emerge. It creates a construct for continued dialogue and potential intervention, but, as Dmitry said, I am not sure what you would do. If you find there is some trade diversion, so what? Do you put tariffs back on Australian products? I do not see the mechanism by which that could happen. We are where we are.

The Earl of Sandwich: The DIT is very proud of it, so we will just have to follow the monitoring and see what happens.

Q64 The Chair: That very cleverly brings me on to what was going to be my last question, which is about the next stage. I am interested in whether you have any comments about the governance of this agreement and its implementation. Following on from Lord Sandwich, the monitoring and

ongoing governance of it will affect other things. Do any of the three of you have any comments on that?

Emily Rees: I am happy to comment on that. Very briefly on the governance, one of the key striking points in this agreement is that the governance fluctuates quite greatly from one chapter to another. As we have mentioned, there is no dispute settlement in the SPS agreement. The SPS chapter does not go beyond the SPS agreement of the WTO. We also find that the SPS committee will be created. It will be among government authorities, and that is where the text stays.

When we look at the animal welfare and the AMR elements—the antimicrobial resistance co-operation—we could have seen a bit more in the governance structure, particularly when it relates to the opportunity for research institutions, academia and other stakeholders to have working groups to provide more rhythm in progress and co-operation on those issues, which is what we find in the environment chapter. Once again, the environment chapter has done a very good job on the governance. Not only does it have a working group composed of government representatives, but it provides opportunities for public participation in the monitoring and enforcement, with specific consultation mechanisms.

It would have been nice to see that type of governance for the animal welfare and the antimicrobial resistance elements, as well as for the development chapter, as we have just mentioned.

Dmitry Grozoubski: There are two things. I certainly support all of Emily's points.

Conceptually, there are two types of governance arrangements that you tend to see in FTAs. Parts of them are about future collaboration and the discussion mechanisms that formalise those, and parts of them are about keeping one another honest. The keeping one another honest provisions in this are fairly standard, but I do not think that is a problem in the slightest. Both Australia and the UK are the type of international treaty partners that are likely to approach implementing this in good faith. Not a lot of funny business will be expected. They are both experienced players who do not sign up to things that they do not intend to do, and who value their international reputation.

The fact that those arrangements are standard is not a problem. Everyone will play ball. On the future collaboration agreements, we go back to what we said in answer to a previous question. On the one hand, they are what you make of them, but we can expect Australia and the UK to take them seriously and engage. Their breadth, how many different committees they set up and how many different dialogues they create is useful, because it creates a formalised structure and an imperative for the two civil services to engage beyond even what they might naturally do. If there is a mandated meeting that you have to go to once a year, you have to have something to say at it. I think that is useful as well.

The Chair: Are those common to other trade agreements, or are they fairly new?

Dmitry Grozoubski: Generally, as a concept, yes, they are common. The degree to which they are taken seriously, versus a junket to a foreign land once a year, varies wildly based on the character of the relationship and the Government involved.

Sam Lowe: Even though many of these provisions enter into force on day one, some of them are due to come into force later—for example, the working holiday arrangements that are being introduced in parallel to the trade agreement, lifting the age limit to 35 and removing the requirement on the Australian side for young people to work on a farm if they want to extend their stay there, which I have referred to quite meanly in the past but I will not here. That will not come into force until two years after the agreement itself comes into force. I am sorry that I used the same terminology twice. The fact that it comes into force later means that it will require continued dialogue, so on the UK side we might have to legislate for that, or the Australian side might have to legislate for that. You will want to keep talking to ensure that actually happens.

There are other areas where there are commitments to work on things together—for example, on e-documentation. I refer to this as the digitalisation of trade rather than digital trade. It is removing the need for paper documentation and is something that lots of Governments are working on. There is a useful framework to keep each other honest, in that you have made a bilateral commitment to each other, and it is not going to happen overnight. If it is to work, it would be quantifiably useful to business as well if you could get rid of loads of paper-based type declarations. It means that we are not just going to say “Done”, walk out of the room and never think about it again. There will be continued dialogue. As the others said, the frameworks that have been introduced in this are fairly standard, but that is not a bad thing.

The Chair: I thought the labour one might be new. Lord Gold has a quick question that he might want to put as he is now with us.

Q65 **Lord Gold:** Thank you very much indeed. I thought I had lost my opportunity as I was cut off. The FTA removes tariffs on beef and lamb but not chicken. Although it is not of great relevance to me, with pigmeat why is that?

Emily Rees: Very simply, because Australia is not competitive in those areas. It actually liberalises certain poultry meats. There is liberalisation on turkey, guinea fowl and duck, but when it comes to chicken Australia basically produces only for its domestic economy. It does not have many exports of poultry, so that is not really an area in which it is particularly competitive.

The same goes for pork. Both those areas together account for less than 5% of exports of the agricultural production of Australia. When it comes to pork production, there is the use of ractopamine; Australia is one of the countries that uses it. That pork would not be allowed into the UK

under UK food standards, so it was not seen as an advantage for either side.

From the British side, obviously given that there is liberalisation in beef and lamb, and that was considered sufficient to close the deal with Australia, there might also be willingness to keep some quotas in hand for future agreements, whereby those will be offensives with other trading partners.

Lord Gold: Thank you.

The Chair: Thank you. We have kept our witnesses half an hour longer than we undertook to at the beginning, so I thank you very much for the quality of the answers you have given and for the amount of preparation you clearly did before arriving today. If anything we have asked you has triggered other things, and you want to put some other ideas in writing, they would be very welcome. For the moment, I thank the three of you very much.