



International Trade Committee

Oral evidence: UK trade negotiations: trade strategy and scrutiny, HC 233

Wednesday 17 June 2020

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Members present: Angus Brendan MacNeil (Chair); Robert Courts; Mark Garnier; Paul Girvan; Sir Mark Hendrick; Taiwo Owatemi; Martin Vickers; Matt Western; Craig Williams; Mick Whitley.

Questions 80 - 99

Witnesses

I: Dr Meredith Crowley, Reader in International Economics, University of Cambridge; Dr Peter Holmes, Reader in Economics, University of Sussex; and Dr Sheila Lawlor, Director, Politeia.

II: Rosa Crawford, Policy Officer, Trades Union Congress; John Dickerman, Head of US Office, Confederation of British Industry; and Nick von Westenholz, Director of EU Exit and International Trade, National Farmers Union.



Examination of witnesses

Witnesses: Rosa Crawford, John Dickerman and Nick von Westenholz.

Q80 **Chair:** Sorry to keep you waiting, panel 2. We are a little behind schedule. Can I ask John Dickerman to introduce himself first?

John Dickerman: Good afternoon to you; good morning from Washington DC. My name is John Dickerman. I am the head of the United States office of the Confederation of British Industry.

Chair: Thank you very much. Doing it virtually, I think we have saved some carbon dioxide. We would normally ask you to fly to London, but we are doing it far more efficiently nowadays.

Rosa Crawford: Hello, I am Rosa Crawford. I am the policy officer covering international trade at the Trades Union Congress. We represent over 5.5 million workers.

Chair: A familiar face to our inquiries. Finally, another familiar face.

Nick von Westenholz: Yes, it is Nick von Westenholz. I am the director of EU exit and international trade at the National Farmers Union.

Q81 **Taiwo Owatemi:** Thank you to the panellists. What are the opportunities and risks of the UK-US free trade agreement from the perspective of your members?

John Dickerman: I think there are a huge number of opportunities. First off, we have released a report, "A roaring trade", that details what we think the opportunities are. It was released at the beginning of March and it details 26 different suggestions that we have for the UK Government about how the investment relationship between the United States and the UK can be improved as a result of such a trade deal, but it goes beyond that as well to talk about what the opportunities are to expand the relationship between the US and the UK that exists at the state level on areas such as procurement, mutual recognition of qualifications and the movement of people.

We absolutely believe there are a huge number of opportunities that exist. Particularly, what we think is important are the opportunities that exist in what we would like to refer to as the 21st-century realities of trade, so areas of trade that have not previously been regulated in trade agreements. For example, on issues of data flows, digital trade and AI regulation, areas like that, there are huge opportunities for the UK to be a global leader in how those standards are set within trade agreements.

On the area of risks, clearly it is a negotiation so there are trade-offs that the UK could risk getting themselves into. We have seen clear trade-offs discussed on areas such as agriculture, healthcare and pharmaceuticals. Certainly from a public opinion perspective there absolutely are risks that are there as well, but what has to be managed is how those trade-offs



HOUSE OF COMMONS

are balanced between what is important to the UK economy and what could be traded off in a way that perhaps is less painful.

Rosa Crawford: For the union movement, we see significant risks in a trade deal outlined in the UK and US Governments' terms, both to workers' rights and to public services, democratic decision-making and things like data privacy and protection. We have to see this in the broader picture of the UK recklessly, in our view, rejecting a draft agreement that the EU has put on the table, which would offer protections at a very high level for workers' rights, tariff-free trade with the single market and very low barriers on service trade. For us, that would mean that we are able to protect millions of jobs, which is going to be fundamental as we try to build a recovery from the pandemic that is based on good jobs, but also the higher standards of rights. Instead of accepting and negotiating with the EU to seal that deal in place before the end of the transition period in December, what the UK Government are doing is saying instead that they would rather pursue an agreement with the US on terms that, as I say, have significant concerns for our membership.

Just to outline them briefly, and then I am happy to go into more detail, it is clear from the negotiating objectives outlined by the UK and the US that this agreement is going to be, in their words, ambitious and will include services. When you include services in a broad way in trade agreements, it means you are talking about regulatory standards. That means things like employment rights, social standards and safety standards could all be included in the agreement and provide scope for anything included to then be challenged as a barrier to trade by the US Government or, indeed, the UK Government.

Given that we are starting from a point where the UK has much higher protections for workers' rights than those in the US—the US has ratified only two of the eight fundamental ILO conventions—child labour and various other workers' rights abuses that would not be legal in the UK are legal in the US. The fact that there are much lower standards in the US means that in a trade agreement the US is going to see any employment protections within the UK as a potential barrier to their businesses being able to do trade in the UK, and it could challenge and overturn them.

Also the inclusion of services means that you are likely to see privatised bits of the public sector included in that agreement, so things like catering services or pharmaceutical provisions to the NHS. That means, again, the way it is regulated could be construed through the terms of a trade deal as a barrier or a discrimination against US businesses. We have already heard from the previous panel about interest from the pharmaceutical industry in the US in being able to challenge the way that drug pricing is regulated in the UK. If services are included, that could all be encompassed in a trade deal with the US and mean that the way that the UK Government are able to provide quality public services could be compromised. That is extremely concerning to us.



The issue about sovereignty has been picked up previously. If there is something like ISDS in a trade agreement, it would allow the US Government to sue the UK Government for provisions that might protect workers' rights, public services or other safety standards. There is also the issue about the US Government insisting on things like clauses about how we do deals with China. Indeed, there are terms in the USTR's negotiation mandate about restricting political-focused trade measures towards Israel, which would mean we might not be able to condemn things like the extension of the annexation of Palestinian land and the mislabelling of Palestinian goods as Israeli goods, which is something UK unions are very concerned about.

We see a range of threats to workers' rights, social standards and public services more generally, and that, to us, shows why the UK Government are going in completely the wrong direction by suggesting that the US trade agreement is the top priority and not engaging properly with the EU to get the deal we need before the end of the transition period.

Q82 Taiwo Owatemi: Nick, do you share the same concerns?

Nick von Westenholz: We certainly do have some concerns over the trade negotiations, but we see opportunities as well, of course. With regard to opportunities, it is probably mostly around the high-value, high-standard products UK farmers produce. In particular, there is probably scope to increase exports of dairy products and pork, and some significant gains have already been made in recent years for pork producers and things like high-welfare, grass-fed red meat, for example. There are definitely opportunities.

We need to be circumspect about the depth and extent of those opportunities for a couple of reasons. First, this is a negotiation. I get very concerned that we talk up the prospect of selling huge amounts of beef or lamb to the US as part of this deal. Our own assessment says that the opportunities are probably fairly modest, for a number of reasons. There will be some opportunity, but it will be modest. Therefore, giving the impression to the negotiators on the other side of the table that there are huge gains to be made will give them the scope to ask for huge concessions in return. It is important that we are absolutely realistic and we do not overstate the opportunities for UK farmers but, as I said, they are there.

In terms of risks, there are some areas where there are significant risks. For example, poultry meat: US farmers have very low cost of production around poultry, similarly around eggs, which obviously from the US would be more filled by liquid and powdered eggs, those sorts of things. Again, US beef producers have low cost of production, as they do in horticulture, and cereals would be another one. There are a number of areas where it will not be any surprise that the US are very competitive producers and are looking for increased market access into the UK market. We need to be very careful about how we progress that.



The last point I would make about this is that we have heard a lot recently about the benefits of free trade. I think we have to acknowledge that the idea of free trade and liberalising trade is to create net benefits across the economy and across society, but there are winners and losers, and that is too often missed. I think agriculture does face some significant risks and threats from this deal. I hope our negotiators are very conscious of what those risks are if the negotiations are mishandled.

Q83 Taiwo Owatemi: Rosa said earlier that we have to think about whether or not a UK-US FTA is a priority at the moment. Do your members think it should be a priority, something that we should be focusing on at the moment?

Nick von Westenholz: For us, the priority ought to be the EU-UK negotiations. For agricultural products, the EU is far and away our largest market, both in terms of exports and imports. In agri-food, not including alcoholic drinks, about 75% of our exports go into the EU. That is, of course, to some degree because we are part of the single market, but it is also, to a very significant degree, because there is a huge market of 450 million consumers on our doorstep in very close proximity, so it will remain a hugely important market for us.

Absolutely, we should look for trade opportunities elsewhere around the world in the years ahead, but none of those, even collectively, will make up for the significant damage that agriculture might experience if we have a very hard—what do we call it now that we have already Brexited?—end of the transition period next year, that raises overnight significant barriers to trade. Yes, absolutely, the EU negotiation would be our priority.

Q84 Taiwo Owatemi: John, what would be your priority?

John Dickerman: It is a challenging question, because coming at it from the perspective of our members, while we believe that the EU is incredibly important—clearly, it is the UK's largest trading partner as a whole—if we approach it the right way with collaboration and vision, I think the agreements and the discussions can be complementary. I do not think it needs to be discussed as an either/or choice, a deal with the EU or a deal with the US, in this current environment.

That being said, the UK can play a vital role in the future of how both of these economies trade globally. It also speaks, I think, to the larger trade strategy of the UK. There was a lot of discussion on that in the previous panel. One thing I would like to add is that, from a business perspective, we have consulted very well with Government on developing the objectives that need to be addressed, but also addressing some of the objectives that are coming out of the United States that may be concerning. What we would outline as very important is that that consultation continues. There needs to be a consistent mechanism whereby business and investors on both sides of the Atlantic, in the United States and in the UK, can consult about what the risks are, what



the benefits are and how they can be navigated in a way that is positive for the economy of the UK as a whole.

Q85 Matt Western: I want to focus on the negotiating objectives and, for all three of you, how happy you are with them—I guess you are familiar with what the UK has set out as our negotiating objectives—and whether you see any areas or degree of possible contention, difficulty or serious concession. Indeed, with the setting of those objectives through consultation, to what extent were you able to influence the establishment of them?

Nick von Westenholz: Broadly we were reasonably happy with the negotiating objectives. We certainly welcomed them for a couple of specific reasons. There was the commitment to uphold our standards of production, not just around food safety but also around environmental impact and animal welfare. We thought that was an important commitment to have in black and white in the objectives. There was also an acknowledgement around the need to treat certain products sensitively, which we think certainly applies to some of the agricultural products I mentioned earlier in terms of risk. We felt those acknowledgements in the objectives were important. I am not sure I can comment on whether that was because they listened to the feedback and advice that we have been trying to feed in over recent months.

Putting that to one side, they are the negotiating objectives at the outset, and they will come under incredible pressure throughout the negotiations. Welcoming the negotiating objectives is one thing, but seeing where concessions start to be given during the process of the negotiations is another. We would remain quite concerned, particularly around the issue of standards and, in particular, environmental and welfare standards, that those, first, are going to come under significant pressure from US negotiators. Secondly, the UK Government are going to find it increasingly difficult to find legitimate ways within WTO norms or international trade norms to manage.

That is one of our real concerns about these negotiations and one of the issues we have seen begin to emerge in some of this debate in recent weeks. It is one thing to say we will not compromise on our high standards of animal welfare and environmental protection; it is another thing in practice to see how the UK Government will do that. Yes, the objectives in themselves were fine, but we will see what happens to those objectives in the forthcoming weeks.

Rosa Crawford: Unfortunately, from the trade union perspective, we were not consulted on these objective documents before they were published, despite the TUC sitting on the Government's Strategic Trade Advisory Group and sitting on a number of the expert trade advisory groups that the Department for International Trade has established. We think for those groups to be meaningful, they should be able to have an input into Government strategy and objectives. With the US being such a significant trading partner, that is even more the case for these



HOUSE OF COMMONS

objectives. We did regret the fact there was not consultation with us ahead of the publication of the document.

Then, when we saw the document, there were projections about the potential gains to jobs and wage increases that were all based on economic modelling, with no consultation with the unions from the sectors that would be most affected, when in fact, as I have outlined, if we do not get a good deal with the EU, sectors across the economy are going to be damaged. As we heard in the previous panel, even the most ambitious agreement with the US cannot make up for the huge shortfall in jobs, millions of jobs potentially, if we do not get a good deal with the EU, as well as the threats to rights, which are much harder to quantify. They sometimes get bundled into the assessments of barriers to trade and are not seen as benefits, which we need to factor into the analysis and make sure they are not reduced. An actual engagement with unions would not have come out with the conclusion that the objectives document makes about benefits to certain sectors, jobs and wage increases because we would have outlined those threats.

When it comes to the substance of those objectives, when it comes to our core concerns around labour rights, social standards and public services, there is not very much in there to provide us with any assurance there will be protections. The document talks about the UK and the US both upholding International Labour Organisation standards, which completely overlooks the fact, as I said, that the US has ratified only two of the eight fundamental conventions. In a number of states there are rules that restrict freedom of association, these so-called right to work laws, and there are federal laws that mean there is no right to holiday pay or sick pay, fundamental rights for all workers. We stand with unions in the US in pushing for those rights for all workers, but the fact they do not exist in the US means there is going to be significant pressure for those rights to be reduced in the UK. The Government documents that the UK produced do not provide any assurance on how those rights would not be eroded.

Then on public services we have the same phrase repeated in the document that we have heard from Ministers again and again, that the NHS will be protected. As we see in the document, and as I mentioned earlier, the fact that services will be included on a negative list basis, so everything that is not listed will be included in that agreement in a service chapter, so any privatised part of the public services could be included in a trade agreement and that could mean they could be renationalised without breaching the terms of those agreements. The way that they are regulated could also be seen as a breach of that agreement. That means public services are not protected and there is no specific carve-out mentioned in the objectives document. As we have heard in the previous panel, if investor-state dispute settlements are included, there is again a threat that foreign investors could challenge the way that public services are run.



HOUSE OF COMMONS

For us, the document does not provide the assurance of protections that we would want, and it outlines a number of threats. We would want engagement by the UK Government with us to make sure we address those.

Matt Western: Thank you. That is a very full answer, a lot of good content in there.

John Dickerman: Broadly speaking, we felt relatively positive about the way the objectives came out. We also felt as if we were consulted in a way that was generally positive. Broadly speaking, we felt very positive about the negotiating objectives. One thing I think we have to remember is that these are objectives, broadly speaking; these are not texts about how exactly the trade agreement is going to look. We have to be a little forgiving when it comes to that, but it goes to speak exactly to the point that Nick was making when he addressed his answer to the question, that the mechanism by which we discuss the text further on in the negotiations is going to be incredibly important to get business consultation on.

If you go back to 2018, it was clear from the very launch of the business consultation piece that the Government were interested in hearing from businesses here in the United States and in the UK about what the impact of a trade agreement was going to be. We have gone above and beyond just contributing to the consultation piece. We have continually engaged Government in the UK and in the US about what is going to be important for our members when it comes to establishing a strong agreement that could be beneficial to the UK economy as a whole.

Chair: Thanks very much. I also remind witnesses on this panel that time is a big pressure, so it would be much appreciated if we can be as brief as we possibly can.

Q86 **Robert Courts:** I have a brief question to everyone, please. How effectively do you feel the Government have assessed the potential impact of a free trade agreement with the United States, and are there any additional impacts that have not been, or cannot be, identified within the Government's assessment?

Rosa Crawford: As I have outlined, we think there are a number of omissions in the Government's assessment of the impact of a potential agreement with the US. In particular, factoring in a minimal or no deal with the EU into calculations would mean that any gains that are made towards jobs, which are fairly minimal even in the Government's projections, are completely undermined and would mean that an agreement is insignificant and, for us, certainly not a priority of the UK Government, yet that is not factored in.

The issue about rights and differing standards of the US is very important. It is about employment rights, but also the safety standards, as we heard in the previous panel, and the issues that the US has around how we regulate our public services. All these social standards and



quality standards are not factored into the assessment, as they must be if we are thinking about what should be the objective of a trade agreement, which should be to provide good quality public services, good quality jobs, support for a just transition and support for sustainable development goals.

We do not have to get an agreement with the US on any terms, nor should we. The fact is that the calculus at the moment, in terms of the power asymmetries, means that we are much more likely to have to accept a deal with Trump on their terms if we refuse a deal with the EU, and that will be hugely disadvantageous to the UK. In those circumstances, in drawing up that kind of assessment, you would walk away from an agreement, but the assessment document does not factor in those kinds of social costs that we think must be factored into any assessment.

Robert Courts: I am sorry to stop you there, but we have time pressure and I know the Chairman would like us to move on.

Nick von Westenholz: We felt the impact assessment that was published, the scoping assessment, was quite thin, and some of the broader communications around the opportunities in particular were not quite right. I mentioned red meat earlier, for example, and the opportunities for beef and lamb. We think there are opportunities, but they are pretty modest. The Agriculture and Horticulture Development Board looked at an opportunity of about a £37 million growth in lamb over five years. We export well over £300 million a year into the EU, so things like that are quite modest. I am not sure they are reflected properly in the scoping paper, which seems to suggest that there are gains across the board.

As I mentioned earlier, in a way, the concern about that is we recognise opening up free trade is supposed to benefit from the theory of comparative advantage. Somebody can do some things better; somebody else can do other things better and you specialise. That in itself assumes that there will be some sectors in some countries that lose out and other sectors in those countries that gain. Hopefully you can compensate the losers, but that is a whole different point. What I did not get anywhere in the scoping document was an acknowledgement of that, and that puts a little bit of a question mark over it in its entirety. It comes to this broader point about honesty, I guess, with the economy and with actors within it about the realities of pursuing these sorts of trade deals and the reality that there will be winners and losers. Let's have a frank conversation about that, identify those and then you can have a frank conversation about the adjustment compensation that is required for the sectors that are negatively affected. At the moment the conversation seems to be entirely built around it being a gain for everybody.

Robert Courts: John, last but not least.



John Dickerman: I will be reasonably brief. From our perspective, we felt that with the information at hand it was a reasonably competent assessment. The question and the perspective we have, of course, is that a lot of the areas in which we see positive gains for the UK economy in an agreement between the US and the UK cannot be quantified with the information we have because they are forward-looking opportunities. For example, in areas that have not been negotiated in free trade agreements before, it is tough to make an economic impact assessment on some of those. How do you digitise trade in a more efficient way? How do you establish a framework whereby fintech can be liberalised across the economies as well?

Beyond that, we see huge gains in areas that cannot be negotiated within the free trade agreement but that can be negotiated with the United States in parallel to the free trade agreement. For example, liberalising procurement in the United States at the federal and state level, but in particular at the state level; liberalising the movement of people. Those are areas that probably cannot be quantified in the assessment we have, but we do believe, based on the assessments that we get from our members, they would have a huge impact on the UK economy.

Robert Courts: Brilliant, thank you very much.

Chair: The sort of feeling I am getting from the CBI, the TUC and the NFU—and not for an answer just now, but maybe you can address it at some point in the future—is you would not be upset if the UK had to walk away from a trade deal with the USA even after a negotiation. Just because they have negotiated, they should by no means feel obligated to purchase. You can go to the shop to have a look, but there is no obligation to buy. That is the sort of feeling I am getting.

But moving onwards, Paul Girvan is ready, poised and just about to leap.

Q87 **Paul Girvan:** Thank you, Chair. This is to all the panel. What is likely to be the overall effect of a mutual lifting of the UK and US tariffs on those you represent?

John Dickerman: We heard a significant discussion of the tariff liberalisation in the first panel. I would agree largely with what the first panel said. Certainly the gains are not going to be huge, but let us not forge that a gain is a gain. Any elimination of tariffs is a net positive, so we need to be very aware of that. There are areas in which there will be significant positives for the UK economy. For example, I think clothing manufacturers are subject to 20% in the United States. Of course, beer manufacturers are subject to higher import tariffs into the United States than US imports into the UK. Those types of trade-offs will be significantly impacted, so it is not looking at the overall economy but, sectorally, at what the impact would be in some of those industries.

Rosa Crawford: To build on the discussion of the previous panel, it is clear that tariff levels are already low between the US and UK in general, though there are some exceptions. For us, the key is that any lifting of



HOUSE OF COMMONS

tariffs with the US is again completely offset if we have the imposition of tariffs with our trade with the EU and the imposition of non-tariff barriers in our services trade because the EU is, as was said already, our most integrated, closest partner. The damage that would be done in not getting a deal with the EU, which can guarantee the zero tariff trade and low barriers in services trade that the EU is offering, and instead just having the tariff reduction that might be in the US trade deal, is going to be terrible, an absolute disaster for workers who are already facing a difficult situation—many of them are now facing redundancy in the face of the pandemic. For us, the most significant issue to look at is how a US tariff reduction is insignificant in comparison with an EU tariff reduction.

To pick up on the point the Chair made previously, the TUC, with our counterpart in the US, is not averse to any trade deal with the US. We have said that if it was a trade deal that protected high standards of rights, guaranteed good jobs, guaranteed protections for public services, had no ISDS and had provisions to protect social standards, we would be in favour of that. We have a joint statement that I can share with the Committee that makes that clear, but certainly on the terms that we have had outlined and in the context of the negotiation with the EU, we have said with our US counterpart that the priority should be a good deal with the EU, not just any deal with the US, and certainly not a deal with the US on the terms the UK Government and the Trump Administration have outlined.

Nick von Westenholz: I would echo Rosa's comments in terms of the US deal. It has to be the right deal, and we should not be trying to secure a deal at all costs just because of the political prize. In fact, it is the economic prize we should be looking at, and we need to make sure that we maximise the economic gains. If we cannot do that, then, as the Trade Secretary herself has said, we should be willing to walk away. But the EU deal is certainly equally important, and again I would echo Rosa's comments about the potential for the imposition of tariffs there, which would be very damaging.

To the specific question about tariff liberalisation between the UK and the US, agriculture is obviously an area where there are some significant tariffs, but it may be that we come on to discuss the issue of food standards and farming standards because, of course, if you reduce tariffs, liberalise tariffs, often there is nothing else that any Government can apply to manage imports, particularly imports that are produced to lower standards. You have to think carefully before you decide to liberalise, because there might be unintended consequences around food and farming standards, so we have to be careful.

The final point I will quickly make is that it is not just about standards. There are other non-tariff barriers and they apply both ways, but they are not just an EU thing, as often people try to paint. The fact that we do not sell any lamb into the US, for example—we would love to sell more—is nothing to do with tariff. Tariff on lamb is miniscule. It is the fact that we



are not allowed to under what is known as the small ruminant rule. We were given the indication from the US five years ago that that would be removed and we would be able to start importing lamb into the US. We still cannot; that rule has still not been removed.

The one thing I would say is that we need to be very careful that this all gets thrown into the negotiations and used as leverage for the UK to start giving up concessions. That rule should have been removed, we should be allowed to export lamb and we cannot. Just a pointer, it is not all about tariffs, the reason why we cannot trade to the degree we might want to.

Q88 Paul Girvan: I thank the panel. Nick, how concerned are you by reports that DIT is preparing to use the agricultural tariffs proposed in the UK global tariffs as a bargaining chip in the negotiations?

Nick von Westenholz: I do not think there is any surprise in that, to be honest. In any negotiation, obviously the main thing you are trying to do is to point to what the existing tariffs are and therefore argue for or offer lower tariffs as part of that deal. That is just a fact of the negotiations. We did welcome the global tariff as maintaining some important safeguards on agricultural produce, but what we would be particularly concerned about is if those tariff reductions were done across the board, regardless of standards. We again turn to that important issue of the additional costs that UK farmers often operate under because of the high standards of production they are required to observe. All we ask is that that is a level playing field. If you reduce tariffs across the board, then, as I mentioned beforehand, you start to find that you lose any other controls or that there are no other controls on import standards.

Q89 Sir Mark Hendrick: John, President Trump was elected on an America First basis, a very nationalistic approach to doing business not just with the UK but globally. How can the UK Government and yourselves, obviously battling for business in the US, address trade barriers raised by the American attitude and the America First policy more generally? I noticed in your submission to the Committee that you made reference to this Buy American, Hire American strategy that we have talked about and that you want to move towards Buy Transatlantic, Hire Transatlantic. How assailable do you think that is? How amenable do you think Trump is to that approach, given his record and his stance? It seems to me that he has an election coming up in November and that he will want to keep more of the same, rather than to start talking about transatlanticism.

John Dickerman: You have to think about it from two different perspectives: first, the perspective of what the UK's investment into the US stands at right now. The UK is the largest bilateral trading partner with the United States. It invests more in the US than any other country, in fact very close to more than any countries combined, although that is probably a very beneficial statement. I think there is a huge amount of interest in maintaining that investment relationship because it is reciprocal. The US also invests a huge amount into the UK. Businesses in



the United States create more than 1.5 million jobs in the UK; businesses from the UK create more than 1 million jobs in the United States. There is investment in every single state to the tune of nearly £500 billion. The total reciprocal trading value is over \$1 trillion. Because of that reciprocity, because of that already longstanding positive trade and investment relationship, we believe—and we believe this because we have consulted the US Government and the UK Government on this—that there is absolutely an opportunity for the UK to liberalise its access into the United States, even in the face of some of these Buy American, Hire American provisions.

The second perspective from which we need to look at this goes beyond what federal investment opportunities exist and goes to the opportunities that exist at the state and the local level. One thing that is all too often neglected when you are talking about investment in the United States is how much power and sway local and municipal governments have on foreign investment. Governors and mayors are job creators. They want foreign investment into each of their individual economies, so part of the priority that we need to establish when we are discussing the improvement of the US-UK relationship is how we transfer some of the discussions from the federal level down to the sub-federal level and get not concessions for British business, but open up opportunities for British business. If you look at the US overall, 70% of our infrastructure is in vast need of improvement.

Chair: I will have to bring you to a quick end here, because I am trying to get another couple of people in.

John Dickerman: That is a massive opportunity for British business because they have expertise globally in a way that US businesses may not in terms of infrastructure improvement. I will end on that.

Chair: Thank you. I thank Nick for mentioning the small ruminant rule, because I was told by someone quite high up, shall I say, in DIT that the small ruminant rule will be quite important coming into the trade deal. I was not told by DIT, by someone very high up in DIT, that this was on the table for five years.

Q90 **Mark Garnier:** Nick, getting back to this chlorinated chicken and food standards question, obviously I completely understand that our farmers in the UK are manufacturing to standards that are set by the British Government, but I will come directly to the point. There are many people who are arguing that the stance of the NFU is a return to the old corn laws, in terms of trying to protect our landowners and British food producers. Persuade me that they are wrong.

Nick von Westenholz: First, I would probably encourage you—as I am sure you do, or certainly did before the current pandemic—to pop down to your local supermarket on a weekly basis to assess whether you feel the average consumer in the UK today is in the same position as your average Brit in 1845 in terms of access to food, the price of food, all of



HOUSE OF COMMONS

these things. The notion that the UK today is a protectionist society, whether as part of the EU or not, is completely wrong. It clearly is not, certainly in terms of how the consumer is treated. As I said, food prices are very low. In fact, only the US and Singapore as a proportion of their income spend less on food. The availability is extraordinary. In fact, you could argue that this is a great credit to the gains that free trade has made over 200 years, and I think the future gains are probably much more marginal. Where we are at the moment is not protectionist.

The NFU's position is not to put up any future barriers, it is simply to say where we liberalise further, we do so carefully and we ensure that further market access is provided to goods that we can show are equivalent to our standards. That seems to me certainly not protectionist, and actually quite sensible and reasonable. I would just add this final point. The reason why it is reasonable is because the challenges that we face today around things like climate change, expectations around how we treat our animals et cetera are very different to the challenges we faced at the time of the corn laws, when trying to get cheap food to people was probably the biggest challenge in developed or developing countries like Britain. Today it is not, so we need to find a model of free trade that incentivises sustainable models of production and consumption, not that incentivises the cheapest production of food, whatever the damage of that production. That is our concern about the current scenario.

Chair: Briefly, Mark Garnier. I see you are itching to come back.

Q91 **Mark Garnier:** Very quickly, I would agree with you up to a point, but we just had a massive debate about getting free school meal vouchers to kids over the summer holidays. The Trussell Trust would argue that there are an awful lot of people in food poverty and, of course, all of us on this Select Committee ultimately represent huge numbers of people who live on very, very tight household budgets. Essentially one of the problems about this—and I completely agree with you about food standards, by the way, as I think food standards are very important—if there is an opportunity to provide cheaper food, are we not artificially denying consumers the choice to get cheaper food and therefore feed their families better? Do we not need to think about this slightly more intelligently?

Nick von Westenholz: I will very quickly add that, first, I absolutely agree there is a problem with food poverty. I do not know many people who are involved directly with that, like the Trussell Trust, who believe it is about the price of food; it is about incomes, welfare, poverty, those sorts of issues, and not the price of food. As I said, you can knock a little off the price of food, but that is not necessarily going to change the lives of those people. The actual problem is around poverty, not necessarily the price of food. You can knock a little off the price of food and damage the farming industry in the UK.

Chair: Thank you. Rosa Crawford, I will give you 30 seconds, and I mean 30 seconds.



Rosa Crawford: The TUC agrees that the issue is poverty. We need to tackle almost 2 million people on zero-hours contracts and not sign a trade deal with the US that might increase the number of precarious jobs because there are going to be lower labour standards coming along with that, not just to keep prices low. We need to balance the fact that consumers are also workers, and they deserve living wages and decent conditions. That is how you deal with poverty.

Chair: Thank you, you made your point well.

Q92 **Craig Williams:** I am heartened by the evidence you have given to this Committee, Nick, on scrutinising and public discourse around trade deals. Could I draw you on production standards? Representing a rural constituency, I am on that point, but clearly as a country how we protect our production standards is import bans, SPS issues and other different weapons in the arsenal, not just bland, blanket conditional legislation around production standards. How could we engage with the NFU, or how you are looking to present those arguments, so that we are not conflating quite so many issues going forward?

Nick von Westenholz: It is a great question and a difficult one. I will answer briefly because I could give a very long answer, and I will not do that. You are absolutely right. The NFU is not advocating some sort of blanket ban at all, and we have not done. We have suggested ways you could have legislation that might distinguish between different standards of production for new FTAs as they are negotiated, so you are not, as I was saying earlier, restricting current imports; it is about how you liberalise carefully.

You have touched on a whole load of issues in your question. Very briefly, the difference between SPS controls as opposed to production standards—for example, the animal welfare of farmed animals in overseas countries and the way that farming operates—is that the controls the Government have around those sorts of issues are very weak, whereas the controls they have around food safety are pretty robust.

What we have suggested—and we would be very happy to talk to the Committee about this in further detail another time—is the establishment of a trade and standards commission where you can throw all of these issues into the pot and come out with a very clear policy roadmap for Government, so you would look at what sort of legislative controls may be appropriate, where they were not appropriate, what other measures you could take, a strategy for engagement with the WTO and a strategy for the negotiating objectives on any future trade deals. You could even look at exceptions, for example, to make sure that consumers or developing countries overseas are not damaged as part of it. You could throw all this into the pot.

Q93 **Craig Williams:** You are building on the NFU emails we all have in our inboxes, I appreciate that. Very quickly, on these import issues, in terms



of what you are asking for, can we look at the WTO norms? Under WTO norms, can you point to where those kind of production standards are covered quite directly, or do you have to use sanitary issues and food safety? Do we have to have an honest discussion with the public?

Nick von Westenholz: Yes. I think the discussion does need to be honest, because the fact is that the options for Governments under their WTO obligations around production standards are very weak. There is not a lot that Governments can do in restricting imports on the basis of their production standards. Some of that could be tested under WTO, there are areas, but generally trade experts will tell you that controls are weak. You do have to think about how you use SPS controls and, perhaps more importantly, tariffs. They act as a proxy for a lot of these issues while you might be able to disentangle some of the other issues.

We think, more broadly, there is a great opportunity for the UK Government here to show leadership at the WTO—and if the WTO is not working, somewhere else—with their trade partners in saying, “These sorts of issues around production standards should be accommodated under international trading rules and WTO rules, and they are not properly accommodated now. How do we all get together and do this in a way that faces the challenges of the 21st century?”

Chair: Mark Hendrick, I do not know if you still want to come in on standards and regulations, or are you quite happy to leave it and move on? Just a brief question then.

Q94 **Sir Mark Hendrick:** I would like to touch on it from a worker’s perspective and ask Rosa about her view on a US-UK free trade agreement. How might that impact on the lowering of standards for workers?

Rosa Crawford: As I have outlined, we have grave concerns about how it might impact on workers’ rights because of the fact that the US has such a lower regime of rights for workers. Many of the things that workers here take as fundamental, like the right to sick pay and holiday pay, are not rights across the US. There are also severe restrictions on freedom of association in many states across the US, and forms of child labour are still legal in the tobacco fields of the US. When we speak to our comrades in the US, we see a really grave situation that we would not want repeated here. There is nothing explicit in the objectives that says, “We will lower workers’ rights” but that will be the impact of a broad inclusion of services within the agreement, because then we are dealing with the area of regulatory standards. Then things like the number of working hours that workers have to work, or the maximum for which they do not have to work, could all be subject to negotiation.

If, for example, we introduced a regulation that restricted the number of working hours for workers and we had something about including a certain service for those workers in the agreement, the US could then challenge that regulation and say no or, “By restricting the numbers of



HOUSE OF COMMONS

hours workers can work, you are restricting our businesses' ability to make a profit in that industry, so you cannot limit the number of hours people can work or you cannot put that limit on it. The limit needs to be something higher." There are lots of practical ways through which the political pressure of the US on the UK could bring to bear on lower standards.

We are drawing on experience that Canadian unions have had through NAFTA, where they had to, through the provisions of NAFTA, reduce regulatory standards around chemical safety and around protection of chemical workers because of NAFTA's terms around regulatory co-operation and where standards had to be seen as aligned. There was a process whereby the US was able to press for those standards to be lowered. We have practical examples to draw on, and we worry that will be the case with the UK.

Chair: Briefly, John.

John Dickerman: Very briefly. I would be remiss if I did not bring this up. While we are broadly optimistic about the opportunities that do exist within a free trade agreement, we absolutely do believe that the UK's public interest needs to be kept at the heart of the negotiation as well. In the context of the discussion that we are having on standards in particular, from our perspective the UK has always been an incredibly powerful voice on the international stage about how international standards are developed. We think it is essential that the UK maintains that high degree of influence in the development of international standards.

Just as important, however, is that the UK deal has to protect against the very real risk that the UK could be backed into a corner where it is forced to choose between standards for compliance with regulation, where UK stakeholders have no voice in the development of those standards.

Chair: Yes, and that is what the British Standards Institution is very worried about.

Sir Mark Hendrick: I was thinking about standards as well. It was not just a question of consumer standards; it was about standards for workers as well. Workers are consumers as well, so they have to come into the equation.

Q95 **Chair:** Indeed, Mark. Moving on to digital services and data, can I ask the CBI and the TUC what data-related issues arise from the US-UK FTA, and how should these be addressed?

John Dickerman: There are some very clear concerns about how data protection and privacy are regulated in the United States and whether or not the US would force the issue on the UK to adopt some of those standards. The starting point is always going to be USMCA for the United States. In our discussions with our members, while there is a lot to build on in some of the data privacy and protection language within USMCA, it



HOUSE OF COMMONS

does not feel as if—well, I should not say it does not feel as if it is a massive risk. It feels as if it is a good starting point that needs to be built upon. That is the kind of one clear message that I would like to leave.

Rosa Crawford: We have concerns about the approach outlined by the UK and the US Government to include those digital services, particularly the fact that the US Government have talked openly about wanting to reduce or scrap rules that are like the GDPR regulations that currently exist in the EU, which we are party to and have transposed into our legislation.

We believe these are incredibly important for providing protections for personal data, but also that leads into workers' rights issues because we know that already there is too much monitoring and surveillance of workers through the use of algorithms and various digital applications, particularly with workers who are working on platform-based services. We worry that if there is a further erosion of the amount of protections for workers to be able to access that data and how it is regulated, it could mean that companies have more power to use that data to control, discipline, fire and discriminate against workers from different ethnic backgrounds, as is already happening in some uses and abuses of data. We think that could increase if the amount of power to regulate data is reduced. That seems to be the aim of the US in these negotiations.

There are also implications for public services, where things like the NHS database could be subject to liberalisation through an agreement, which would again reduce the amount of control we have to regulate how that data is used and how patients can control how their data is used. It could mean multinational companies are able to use that data to market certain products to patients. That again is completely undermining a public service. For us, it is very important that we have very strict regulations around how data is used, and there is engagement with unions to make sure that it is not used to increase exploitation.

Q96 **Mick Whitley:** Two quick questions, if I might, Chair. The first one is to John at the CBI. Are the UK objectives relating to Government procurement at US state level realistic?

John Dickerman: They are very challenging. Again, this is something that cannot be negotiated directly in a free trade agreement, so it has to be negotiated somewhat in parallel. I do not think they are unrealistic. I think there will need to be investment in how the UK approaches state-level negotiations. There has already been a huge amount of investment at the DIT level in establishing offices throughout the United States beyond some of the consulates. That has been very effective, but absolutely, from our perspective, we think there needs to be more and we think it can be done in partnership with business.

Q97 **Mick Whitley:** Rosa, are you reassured by Government commitments about protection of the NHS?



Rosa Crawford: No, we are not. As I said, we can see in the text of the objectives document that the NHS will not be protected because there is no signal there will be an exemption for the NHS. There will be what is called a negative list approach taken, where anything that is not listed will be included, which means partly privatised services will be included in a deal. That means if they are renationalised, it will create a challenge by the US Government or it would open the possibility for a US Government to challenge that.

Linking in with the provision of public services is the issue of procurement that you asked previously of the CBI. We are worried that the Government may roll back the current social criteria that are contained in our Government procurement regulations once it leaves the transition period with the EU. Just yesterday in the Trade Bill Committee I raised the fact that the Trade Bill does not have any mention of social criteria being included in our accession to the Government procurement agreement at the WTO. We worry that, through negotiations with the US, it may press so that social criteria—those criteria mean, for the first time, that labour standards and social and environmental standards must be considered as part of tenders for Government procurement, which is so important for making sure we get value for money as well as support for sustainable jobs through our Government procurement—may be challenged and brought down.

The fact it is not in the Trade Bill is a dangerous indication of things to come, and the fact that the US is likely to see those social criteria as another barrier to its ability to make inroads into our procurement market is very worrying. Again, we want to retain those EU procurement rules and build on them in the future.

Chair: As we come to the end of the second panel, it looks like we are playing a sweeper system. At the end of both panels we have gone to Martin Vickers to tidy up for us at the back.

Q98 **Martin Vickers:** My question is specifically to John from the CBI. Are the UK-US negotiating ambitions relating to SMEs achievable, and to what extent will SMEs be able to take advantage of any agreement?

John Dickerman: I do think they are achievable. There is a huge amount of ambition on both sides to ensure that any kind of free trade agreement between the US and the UK positively benefits free trade for SMEs. Clearly that is part of the discussion that is going on this week and next week in the second negotiating round.

What is important to point out, though, is that the Government have a responsibility to facilitate tangible benefits of an FTA long after the negotiations are done. Look at, for example, what Canada does with its free trade agreements. They run out to the provinces and they discuss with small and medium-sized enterprises how they can be positively impacted by the free trade agreements it has negotiated. It continues to do that well after the agreement and the validation of that agreement.



HOUSE OF COMMONS

In a report that we issued in 2018, less than 10% of the UK businesses we know of export, and there are 15% more in every region that could do so. In many cases it is not because they do not want to, but it is rather because they do not know how to. While the FTAs may set up a great opportunity, we believe it is up to the Government and business associations like the CBI to mentor them through the process. If we do not do that, there is no tangible guarantee that they will benefit.

Martin Vickers: I think time is up, isn't it, Chairman?

Q99 **Chair:** Yes, it just about is. Thank you very much. You are a great sweeper for spotting that one, a timekeeper as well.

Can I put a final cheeky question requiring basically a data answer from each panellist? What are your organisations expecting as a GDP gain from any UK-US deal?

Nick von Westenholz: We have not made any independent assessment, but the Government's own assessment said it is 0.16% over 15 years, which is modest. We should not say that that is not important, but it is certainly modest.

John Dickerman: I have no wish to usurp the role of my chief economist by making an amateur guess at that, so perhaps it is best if I send you a missive after this with a projection on our end.

Chair: Skilfully handled, sir.

Rosa Crawford: We also have not done an independent assessment, but using the Government figures, it is clear that 0.16% over 15 years is completely negligible compared with the 4.9% fall in GDP that will result from not getting a good deal with the EU, so that underlines for us the importance of getting that good deal, prioritising a deal with the EU and not pursuing a potentially very dangerous deal with the US.

Chair: I will add no comment further to that. I thank the three panellists very much, and I thank my Committee members for their patience. I wish you all a very good afternoon and thank you for your time and your expertise today.